



## Soviet Upheaval? A Worst-Case Warning for NATO

By Joseph Fitchett  
International Herald Tribune

NATO ambassadors have been warned by Western defense planners that they should brace for perilous developments in the Soviet Union, possibly including civil war involving rival army factions.

Providing a sketchy account of a closed briefing, North Atlantic Treaty Organization sources said Tuesday that it was the direst semi-official forecast yet about the outlook for the Soviet Union.

"Perestroika is at an end," Peter Frank, a Sovietologist at Essex University in Britain, was said to have told the meeting on Monday.

Describing Mr. Gorbachev's situation as crucial, Mr. Frank predicted that the Soviet leader would seek to accelerate economic perestroika, or restructuring, in hopes

of maintaining the chances for democracy to develop in the country.

But he offered a pessimistic overall forecast about the internal prospects for the Soviet Union. It was shared by two other experts: Christopher Donnelly, a British Sovietologist working in NATO, and Philip A. Petersen, a Soviet specialist on the policy planning staff in the U.S. Department of Defense.

In a Bush administration policy debate early this month about the prospects for Soviet power, Mr. Petersen differed with Defense Secretary Dick Cheney and supported the view of William H. Webster, director of the Central Intelligence Agency, that domestic economic and political pressures would prevent the Soviet Union from mounting a major military threat to Europe quickly even if Mr. Gorbachev were to be overthrown.

Mr. Petersen contended that the Soviet leadership had

turned away from a predominantly military strategy toward Western Europe in favor of an attempt to develop economic ties providing access to European finance and technology.

The issue of a possible reversion to militarism by the Kremlin was not directly addressed at the NATO briefing, which was confined to domestic issues confronting Mr. Gorbachev. NATO sources said that there was no specific discussion of Soviet reactions to developments in Lithuania or of foreign policy questions like the future of East Germany.

The experts' remarks were not supposed to represent the views of the U.S. or British governments, whose statements about Mr. Gorbachev have consistently been more buoyant.

While pessimistic about Mr. Gorbachev's chances of

## Kohl to Abolish Refugee Centers

### Beginning July 1, East Germans Will Lose Benefits of Emigration

By Serge Schmemmann  
New York Times Service

BONN — Moving to stem the migration of East Germans to West Germany, the government in Bonn decided Tuesday to halt benefits for East German resettlers beginning July 1.

The decision means that East Germans moving to West Germany will then be treated like any other German who moves from one city to another. Under the existing arrangement, resettlers report to special centers from which they are distributed among states, where they are housed and cared for until they can find work and housing.

About 344,000 resettlers arrived last year, and an average of 2,000 have been arriving daily since the start of the year, straining facilities across West Germany and undermining East Germany's fragile economy. Stemming the flood has been one of Chancellor Helmut Kohl's major goals.

July 1 has also been proposed as the target for merging the currencies and social benefits of the two Germanys, the first step in Mr. Kohl's blueprint for German reunification.

Government officials indicated that the government had decided to try to reach agreement on currency union with East Germany by the end of April.

The announcements and leaks from Mr. Kohl's government, two days after parties allied to his Christian Democrats won a resounding electoral victory in East Germany, seemed intended to demonstrate Bonn's commitment to move rapidly, especially on the critical issues of merging the currencies, economies and social nets.

One promising sign that East Germans may be gaining heart was a drop in the number of resettlers after the election Sunday. Officials said that 1,593 East Germans ar-

rived Monday, compared with 2,712 on the same day a week earlier. Monday has always been the heaviest day for new arrivals, as East Germans who drive in over the weekend report to resettlement camps.

Mr. Kohl evidently hoped that by tacitly coupling the deadline for resettling to a currency union he would encourage East Germans to hold back and see whether progress really would be made.

Halting the emigration has been a priority for Bonn, and public opinion in West Germany has shown growing resentment against the new arrivals. Two states, Bremen and Saarland, have now officially declared themselves closed to any more East German resettlers.

The governor of Saarland, Oskar Lafontaine, is also the Social Democratic challenger to Mr. Kohl in federal elections next December, and he has assailed the government's decision on resettlers as "the first betrayal" by the chancellor toward the population of East Germany.

Mr. Lafontaine was the first official to call for lifting special benefits for resettlers. But he has also pledged to remind voters whenever Mr. Kohl appears to reverse pledges or policies.

### Setback for Rightists

West Germany's extreme rightist Republican Party, campaigning as a champion of German reunification, has suffered a setback in Bavarian local elections, according to partial returns on Tuesday. Reuters reported from Munich.

The party, led by a former officer in Hitler's Waffen SS, gained an estimated 7 to 8 percent of the popular vote from Sunday's elections for village, town and city councils. This contrasted with some 15 percent the Republicans won in last year's European Parliament elections.

## U.S. Gives Kremlin a Warning

### Moscow Advised Not to Intimidate The Lithuanians

By David Hoffman  
Washington Post Service

WASHINGTON — The United States warned the Soviet Union on Tuesday against creating "an atmosphere of intimidation" and increasing tension with Lithuania as the Baltic republic continues to press for independence.

The White House press secretary, Martin Fitzwater, citing reports of Soviet troop movements, said, "The activities and statements of the Soviet government over the past few days are cause for concern."

"We are watching the situation closely," he said.

Mr. Fitzwater's statement was the strongest language the White House has used since Lithuania declared its independence from the Soviet Union on March 11. Until this statement, the U.S. approach had been to urge both sides to work out their differences peacefully.

The Soviet foreign minister, Eduard A. Shevardnadze, meanwhile, pledged Tuesday that Moscow would not use force to crush independence movements in the Baltic republics (Page 5).

Before Mr. Fitzwater made his statement, President George Bush said at a picture-taking session, "Well, I'm glad that they're still talking peacefully. That's essential and they've been very good about it, the Soviets have, all through Eastern Europe. And that's what everybody wants to see is a peaceful evolution in Lithuania."

Mr. Baker was expected to raise the issue in his meeting in Namibia with Mr. Shevardnadze.

Mr. Fitzwater noted that Lithuanians had "freely expressed" their intent to declare independence from Moscow and said that the United States had "consistently supported the Baltic people's right to peaceful self-determination."

"The United States notes that the Lithuanian government has expressed its readiness to address all legitimate Soviet interests — including economic interests — through negotiation," Mr. Fitzwater said.

"We also note repeated Soviet statements that negotiations — not force — are the proper course in this situation."

He said that the new statement was prompted by "reports of troop movements along the border in Lithuania," about which the United States was uncertain.

### Tighter Security Reported

The Lithuanian leader, Vytautas Landsbergis, said Tuesday that the Kremlin had stepped up security at key points in the republic, including its nuclear power station, Reuters reported from Moscow.

Mr. Landsbergis told the Lithuanian parliament that security officials and extra personnel had been drafted into the Ignalina power station and other points, apparently in response to a hard-line statement Monday by the Soviet prime minister, Nikolai I. Ryzhkov.

Mr. Ryzhkov had denounced what he called steps aimed at "undermining links between the Lithuanian and Soviet economies" and ordered the protection of nuclear power plants and other vital installations run by central Soviet authorities.

## France Presses EC Pace As German Unity Nears

By Jacques Neher  
Special to the Herald Tribune

PARIS — Apparently fearful that German reunification will set back the cause of wider European integration, President Francois Mitterrand of France called on Tuesday for speeding up negotiations that would set the stage for economic and monetary union in the European Community.

But a senior European official said it was unlikely that the Community's Intergovernmental Conference, set to begin in December, would be moved up.

Meanwhile, the EC's executive Commission proposed that the European currency unit, or ECU, should become the common currency for the Community after monetary union and that a central bank or "Eurofed" — modeled on the U.S. Federal Reserve Board — be established to set monetary policy.

Calling for accelerated talks, Mr. Mitterrand said: "Both processes should be dovetailed — Germany, the EC and, we could add a third, the whole of Europe. The calendar for talks on Europe should be advanced."

Earlier, Foreign Minister Roland Dumas said in a radio interview

that, following East Germany's election Sunday, it is necessary to "hurry up the events" leading to EC union.

"We must take history by the horns — move ahead by leaps and bounds, take initiatives — and France is ready," Mr. Dumas said. Mr. Dumas said he had already begun consultations with other EC members on how to accelerate the Community's integration.

Last December, during the EC summit meeting in Strasbourg, the heads of the 12 member nations agreed to call an Intergovernmental Conference by the end of 1990, after the Dec. 2 elections in West Germany. The aim of the conference would be to negotiate treaty changes that would lay the constitutional foundation for economic and monetary union.

While France and the EC Commission have been strong proponents of monetary union, West Germany and Britain have dragged their feet on the complex and politically sensitive issue.

But a senior European official said that the changed environment in Europe could help proponents of

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RAISING A BANNER OF INDEPENDENCE — Decorations going up Tuesday in Windhoek, the Namibian capital, before independence celebrations began at midnight. As Namibia emerges from 75 years of South African rule and 23 years of bush war, it seems likely to become Africa's only true multiparty democracy and the most economically viable black-governed state. Page 4.

## Romanians Send Tanks to Quell Transylvania Ethnic Clashes

Compiled by Our Staff From Dispatches

TIRGU-MURES, Romania —

Army tanks drove a wedge between Romanian nationalists and ethnic Hungarians in the Transylvanian city of Targu-Mures on Tuesday after two persons were killed and 150 injured.

The army stepped in after 2,000 Romanians, armed with scythes and clubs, charged a peaceful demonstration by 5,000 Hungarians. Seven tanks formed a barricade between the rival groups in the worst

outbreak of nationalist violence in Romania since World War II.

The local police chief, interviewed by telephone from Bucharest, said 30 people had been injured seriously enough to be admitted to a hospital. The police did not intervene during the heaviest clashes between the rival groups since trouble started last Friday.

Tensions have been growing between Romanians and the Hungarian minority of about 2 million in

Transylvania since the revolution last December.

The nationalists fear that Hungarian demands for greater autonomy could lead to a separatist movement in the province, Romania's richest. Transylvania belonged to Hungary before World War I.

In Budapest, tens of thousands of Hungarians demonstrated against the violence in Romania. Gaspar Miklos Tamas, a leading Hungarian opposition politician who left Romania in 1978, urged

Romanian leaders to act immediately against "fascist gangs" in Transylvania.

"We will never stand idly by and watch our Hungarian brothers being maltreated in Transylvania," he told the crowd.

The Hungarian government has protested to Romania against "grave atrocities," saying that the Hungarian community had been subjected to "pogrom-like" attacks. Hungarian radio said Prime

Minister Miklos Nemeth had sent a letter to Prime Minister Petre Roman of Romania on Tuesday protesting attacks Monday in Targu-Mures.

The Hungarian demonstrators gathered Tuesday to protest an attack Monday on the Hungarian Democratic Union party headquarters in Targu-Mures.

Fighting erupted despite a televised appeal for calm by President Ion Iliescu on Monday. (Reuters, AFP)

## A Chinese Intellectual In Leadership's Camp

By Nicholas D. Kristof  
New York Times Service

BEIJING — He is ostracized by intellectuals and hailed by the leadership.

He is the author of newspaper columns and the recipient of death threats.

The writer in question is He Xin, a social commentator and one of the best-known intellectual supporters of the current government. At a time when most Chinese intellectuals are still quietly seething at the government, Mr. He goes out of his way to endorse it.

For those in the West who believe that China's octogenarian leadership will inevitably be replaced by supporters of rapid liberalization, Mr. He is a rude surprise.

Mr. He is a well-read, intelligent 40-year-old who sounds like Deng Xiaoping.

"Americans care tremendously about personal freedom," Mr. He said in a recent interview, between puffs of a cigarette. "But China is a country of 1.1 billion people, geographically immense but lacking in cultivable land. If we

didn't have a strong government, if we had American-style personal freedom, then China would fall into terrible chaos."

A husky man with close-cropped hair just beginning to gray, Mr. He was a lonely voice until the rise of the hard-liners last year.

He does not have a university degree, for he came of age as a Red Guard when the universi-

ties were closed during the Cultural Revolution, but he has written more than a dozen books. In his books and essays, he inveighs against rapid economic liberalization, against modern trends in literature and against the trend among intellectuals to blame traditional culture for the country's problems.

"Zhao Ziyang was very disappointed when he saw this," Mr. He declared, waving a long essay that after much internal

See CHINA, Page 5

## Late for Your Flight? Paid in Cash? Look Out for the Police

By Lisa Belkin  
New York Times Service

HOUSTON — After a long flight from a vacation in his native Nigeria, a young man who is a legal resident of the United States and who works as a pharmacist here retrieved his bags and headed for what he thought would be a routine walk through the customs check at Intercontinental Airport.

Instead, it was the start of an eight-hour ordeal that he later called "the lowest point" in his life. He was asked to empty his two suitcases. He was questioned for more than an hour on everything from his hotel in Lagos to what he had eaten for dinner that night.

Under threat of not being admitted to the country, he was handcuffed and driven to a hospital, where he was X-rayed to see whether he had swallowed pouches filled with drugs. He had not. The man, Ade Adedokun, had the bad luck of fitting a "drug courier profile."

He even fit a "drug swallower profile" used by U.S. Customs Service agents.

The profiles are sets of characteristics that are perfectly innocent by themselves, but when taken together are considered clues to identifying drug smugglers.

Critics of the profiles assert that one characteristic shared by most of those detained is their race. "The darker your skin, the better your chances," said Joe Koefe, a Houston defense lawyer who specializes in such cases.

Legal officials say race has nothing to do with who is stopped.

"It's based on the agent's assessment of the facts in certain circumstances and the agent's experience," said Joe Koefe, a spokesman for the Drug Enforcement Administration in Washington. "An agent can spot a drug dealer the way a woman can spot a deal at the supermarket."

The authorities also say the profiles produce results.

No figures are kept on how many people are stopped or questioned because they fit profiles. Nor are there any figures on how many of these stops yield drugs.

But there are customs records on the nationwide success rate of the X-rays in turning up drugs. A sampling from three cities suggests that about 40 percent of the X-rays find drugs.

The profiles were developed in the 1970s, but it was not until a year ago that the U.S. Supreme Court endorsed their use for detaining airline passengers. The court ruled that factors such as style of dress, the amount of cash carried, the destination and the length of stay can combine to create a "reasonable suspicion" that allows officers to make a brief "investigatory stop."

Since the ruling, on April 3, 1989, defense lawyers say, such stops are more common than ever.

"Our impression is it's far more prevalent a practice than it was in the past," said Loren Siegel, a lawyer with the American Civil Liberties Union in New York, which opposes the profiles.

But Ed Kitzridge, a Customs Service spokesman in Washington, called the profiles "a tool" and said the service was "always looking for tools that work."

The Supreme Court said brief detentions must be based on a person's behavior, not just on race or appearance.

People are more liable to be stopped, law-enforcement officers say, if they are obviously in a hurry, have bought a one-way ticket or have paid cash for the ticket.

Also likely to be detained are people who have changed their plans at the last minute, or who are flying to or from Miami, Detroit or several other

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**TRIAL NEARS AN END** — Joseph Hazlewood, right, watching his defense lawyers preparing for closing arguments in his trial at Anchorage, Alaska. Mr. Hazlewood was the captain of the Exxon Valdez, which went aground nearly a year ago in Prince William Sound in Alaska, spilling nearly 11 million gallons of oil that devastated hundreds of miles of shoreline. He faces a range of charges.

## U.S. Wants to Upgrade Aviation System

Administration's \$47 Billion Plan Includes Higher Fuel and Ticket Taxes

By John H. Cushman Jr.  
New York Times Service

**WASHINGTON** — In an effort to break the tightening gridlock at U.S. airports, the Bush Administration has proposed spending \$47 billion on programs to upgrade and operate the aviation system over the next five years.

Despite the urgency of expanding U.S. air capacity, the administration's plan faces a skeptical reception in Congress.

The plan calls for higher fuel and ticket taxes, along with new airport departure fees. Many lawmakers in both parties say they oppose making passengers pay the lion's share of government support for aviation.

The administration would sharply increase federal spending on airports and the air traffic control system. Administration officials say the spending increase at a time

of tightening budgets shows how seriously they view the problems facing the aviation system in the coming several years.

Spending on computers, radar sets and radio links for the air traffic control system would jump by 130 percent to a total of \$13.5 billion over the next five years. Federal grants to the airports for new runways and other expansions would climb by 28 percent to \$7.7 billion in the same period.

The passengers and shippers of air freight would pay these costs, and the administration would also pass on to users of the aviation system an increasing share of the Federal Aviation Administration's payroll and other operating costs. The costs are expected to increase by 52 percent over the five-year period to \$24.5 billion.

The administration proposal was announced Monday. It calls for us-

ers to pay 85 percent of the federal agency's costs through the higher fuel and ticket taxes. Such taxes now pay about 57 percent of the agency's costs, with the rest being paid through general revenues.

"The users of the national air-space system are not paying their fair share of system costs," said the head of the Federal Aviation Administration, Admiral James B. Busey 4th.

Paul Turk of Avmark Inc., an aviation consulting firm, said the net effect of the administration's proposals on consumers was difficult to judge. But he estimated that the average ticket price might increase by as much as 5 percent if airlines passed on all the added costs to customers.

Under the proposal, the passengers would pay a 10 percent ticket tax, instead of the current 8 percent that is included in the cost of every airplane fare. The airlines would also pay higher taxes on jet fuel, which would also be passed on to customers.

And local airport fees, which now are prohibited, could add as much as \$12 to the cost of a round-trip voyage.

Although the Bush administration has said that it opposes new taxes, it has viewed these provisions as user fees that are not included in its general opposition to

tax increases because the fees decrease federal subsidies of aviation. Many members of Congress oppose increasing the federal taxes of aviation without first using a \$7.7 billion surplus in a trust fund that holds the tax receipts.

They also oppose the administration's plan for using part of the surplus for the operating costs of the aviation system. Instead, the argue, the money should be spent on purchasing new air traffic control equipment and on building bigger airports.

Under the administration's proposal, the airports would be allowed to charge each passenger a takeoff fee of up to \$3.

The plan also provides that a traveler could be charged the takeoff fee twice during a single trip involving more than one plane. This means that the fee could not exceed \$12 on a round-trip ticket involving a change of planes in each direction.

Officials estimate that if the 4 biggest U.S. airports impose the fees, they would raise \$1 billion a year, which could be used to underwrite borrowings of even larger amounts.

The airports would be allowed to spend the money only on projects that would increase their capacity

## The Modern \$1 Billion Growth Industry: Stealing Great Art

By Andrew L. Yarrow  
New York Times Service

**NEW YORK** — The theft at the Isabella Stewart Gardner Museum in Boston is the largest and latest in what art experts and law enforcement authorities are calling an epidemic of art thefts.

Spurred by soaring art prices and the increasing resourcefulness of thieves, art theft now ranks as one of the most lucrative forms of crime, they say. Museum officials and insurers say the increase in thefts has not only heightened concern about security at museums and galleries but has also caused a spectacular rise in art-insurance costs. This rise has increased the financial burden on museums that mount major exhibitions of art on loan.

The 12 works stolen from the Isabella Stewart Gardner Museum on Sunday were not insured against theft, a spokesman for the museum, Barry Wanger, said Monday.

Part of the reason was the rapidly rising cost of art and the increase in art robberies in recent years, which have made theft insurance more expensive than the museum's entire operating budget, Mr. Wanger said. The Gardner Museum's annual operating budget is \$2.8 million, while the cost of theft insurance could run to \$3 million or more a year, Mr. Wanger said.

Another reason, he said, was that the strictly worded will of the museum's founder, Mrs. Gardner, who died in 1924, specifies that the museum may not buy new or substitute works of art. It thus would not be allowed to replace stolen paintings even if the museum had insurance.

Last year, the International Foundation for Art Research, a New York organization that compiles information about stolen art, received reports of about 5,000 thefts. That was only a small fraction of the total, according to the foundation's director, Dr. Constance Lowenthal.

Sketchy reporting and record-keeping means there are no reliable statistics, but Dr. Lowenthal estimated that art theft is now a business worth between \$1 billion and \$2 billion a year.

"Law-enforcement officials in much of the world see art theft as a low priority," she said. "Furthermore, many smaller museums don't report thefts because they don't know a work has been stolen or have adequate information to prove that a theft has occurred."

The growing economic toll of art theft is partly a consequence of today's overheated art market.

"With the increase in art values, insurance premiums have gone up because there's much more at risk," said Harold Smith, a New York insurance adjuster who specializes in fine art.

"Add to this the fact that there's more art theft and damage. And the biggest danger to the art world is that thieves are getting much better at disposing of stolen art."

What does become of priceless art like Vermeer's "Concert" or the three Rembrandts and five works by Degas, all of which were among the 12 artworks stolen on Sunday from the Gardner Museum?

"I don't know how on earth they could get back on the art market," said Jane Yeingst, the former art-theft analyst for the U.S. office of Interpol in Washington.

"There might be unscrupulous collectors who'd buy them, but you'd really have to limit who they were shown to. They're either held on to, abandoned or, unfortunately, destroyed."

A popular but unsubstantiated theory is that thefts of well-known artworks are commissioned by wealthy black-market collectors like the evil genius in Ian Fleming's novel "Dr. No."

"Someone may have been behind the theft at the Gardner," Dr. Lowenthal said, "but it's unlikely it

was a Dr. No-type scenario, with someone wanting the paintings for their own decoration."

But Dr. Lowenthal says there may be a growing black market, particularly in Japan, for even well-known artworks.

Other experts believe that thefts of major artworks often have "ransom scenarios," Dr. Lowenthal said.

Insurance companies officially deny that they ever pay ransom, but law-enforcement officials and some insurers say that it is sometimes paid.

"Reward money is supposed to be offered for information leading to the recovery, prosecution and conviction of thieves," Dr. Lowenthal said, "but I imagine that sometimes money from insurance companies is available under less stringent conditions. It's a dangerous route for insurance companies to embark on, because it's essentially blackmail and leads to more of the same."

Huntington T. Block, a Washington art-insurance dealer, said, "When a well-known work is stolen, generally the owner can expect a ransom call — whether months or years later — because he is the only person the thief can deal with."

## Mrs. Marcos Rejects U.S. Court's Authority

Reuters

**NEW YORK** — Imelda Marcos went on trial here Tuesday on fraud and conspiracy charges, declaring defiantly that her case should not be judged in the United States.

"I am a Filipino citizen, I should be tried in my own country and not in a foreign country," she said before entering the courthouse.

Mrs. Marcos, the widow of Ferdinand E. Marcos, the former president of the Philippines, added, "I

pray I will be tried and treated as an ordinary American seeking justice."

Jury selection started Tuesday and opening statements are expected in late March or early April.

Mrs. Marcos, 60, faces charges of working with her husband to steal nearly \$300 million from the Philippine government and illegally investing the money in the United States.

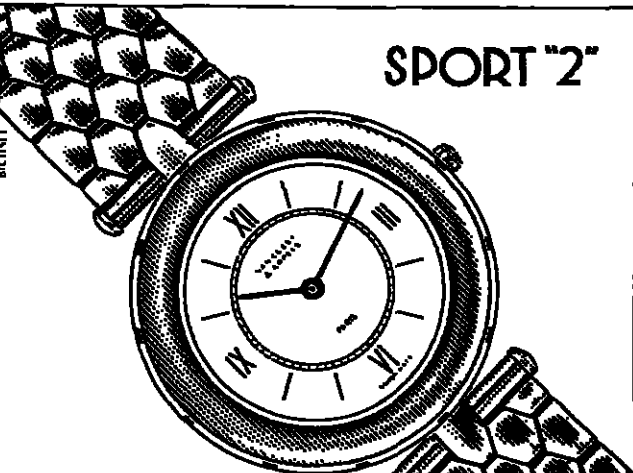
The indictment also charged the

Marocoses with fraudulently borrowing \$165 million from U.S. banks to acquire real estate in New York.

Adnan Khashoggi, a Saudi businessman, is a co-defendant, accused of helping the Marocoses conceal their assets.

Mrs. Marcos was removed in a popular uprising in February 1986 and died in September in Honolulu, where he and his wife were living in exile.





**SPORT "2"**

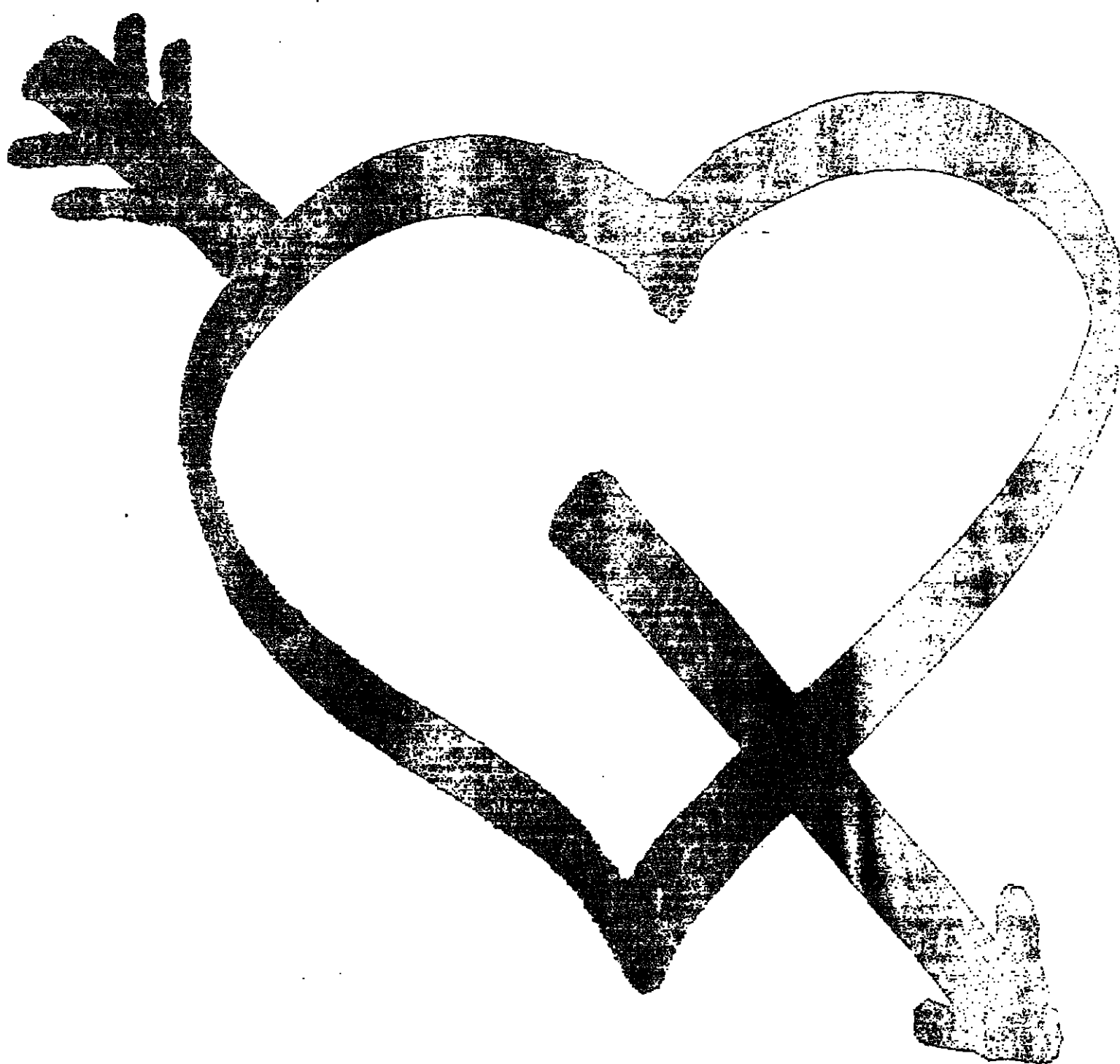
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## Britain Considers Reviving Nazi Trials

By Craig R. Whitney  
New York Times Service

LONDON—While Britain, and Europe, ponder the unknowns of German reunification and the future of the Baltic states in 1990, the British Parliament is in the midst of a heated debate about whether to permit prosecution of alleged Nazi war criminals now living in Britain for offenses committed in the Baltics, Byelorussia and the Ukraine 50 years ago.

The government introduced a bill early this month to change British law to permit such prosecutions, after it became clear that a majority in Parliament probably would approve one.

"It is so long since the war, and the instinctive wish of most of us is to get on with our lives in peace and not to rake over the past, let alone the past of men who have lived peacefully in this country since before some members of Parliament were born," Home Secretary David Waddington said this week as the House of Commons debated the measure.

"But sometimes one is brought face to face with facts that cannot be buried, with deeds so terrible that they cannot be forgotten," he added.

Former Prime Minister Edward Heath, who opposes the bill, said, "We shall find ourselves, at a time when Eastern Europe is looking to the future, the rest of Europe is looking to the future, going back into the past."

The bill faces heavy opposition in the House of Lords, which can amend it even if the Commons approves it by a majority. On a 273-60 vote, the Commons sent the bill to committee Monday night.

Lord Hartley Shawcross, who was the chief British prosecutor when the Nuremberg war crimes tribunal tried Nazi war criminals after World War II, wrote to the Times of London last week that "by 1947-1948, all political parties had concluded that the prosecution of war crimes should be brought to an end."

in the interest of proceeding with postwar reconstruction.

"There is no question of a statute of remission for war crimes," he wrote. "What is at issue now is rather the opposite, namely legislation permitting, at least 45 years after the event, prosecutions for war crimes in this country which under existing law could not take place."

Mr. Waddington told the Commons on Monday that the government would set up a nine-person police investigation unit to prepare cases against alleged Nazi war criminals living in Britain after the measure became law. They and the prosecutors in such cases could also call upon expert assessments by historians and linguists, he said.

A preliminary report published last summer by Sir Thomas Hetherington, a British jurist who was commissioned by the government to check information that had been submitted to it by the Simon Wiesenthal Center of Los Angeles and other groups, found three cases in which prosecution of alleged war criminals living in Britain could conceivably lead to convictions.

The Hetherington report also recommended further investigations into 75 other cases if British law were changed to permit trials of defendants who were not British subjects at the time of the alleged offenses. Most of them are believed to have been police or collaborators from territories occupied by the Nazis who settled in Britain after the war.

The government bill would make prosecutions possible for offenses committed under Nazi jurisdiction from Sept. 1, 1939, to June 5, 1945, and could take effect this summer if it passes.

In many cases these were Lithuanians, Latvians and Ukrainians attached to Nazi police units, and it would be much better if the archivists and historians were part of the investigative body to begin with," said Rabbi Marvin Hier, dean of the Wiesenthal Center.



Emanuel Ungaro triumphed by staying close to his base.

## Emanuel Ungaro's Bold Russian Face

By Suzy Menkes  
International Herald Tribune

PARIS—Larvin has thrown another designer to the lions and will wear him gobbled up. Eric Bergère's ready to wear line was no more successful than Claude Montana's couture. It proves just how difficult it is to conjure up a house spirit once it has dematerialized. And it shows why Ungaro and Valentino do not stray far from their design base, even though they both went off to far-flung places. Ungaro likes color and pattern and

on the soundtrack, it was no wonder that the show ended to rhythmic applause.

The designer deserved it. For although fashion has gone ethnic before in the 1970s (notably with Saint Laurent's inimitable Bal-let Russe collection), Ungaro's skill at clashing color and print is in tune with current fashion times. It was all too much only when the Bolsheviks got the upper hand: long peasant skirts or a pair of pinstriped tunics elongated to mid-calf.

The fashion news in the show is that Ungaro continues to loosen up his once body-hugging silhouette, bringing in the quilted parka and even a curving edge-to-edge anorak as the new jackets. This is part of the overwhelming Paris sportswear theme, but it looked fresh in Ungaro's luxurious quilted suit.

Valentino Erucas came as decoration on sleeves and cuffs of his suits, which also had some evening embroidery. But the only real news at Valentino was that the designer has responded to the current fashion feel for an A-line silhouette by putting circle skirts under regular jackets. They whirled out in flannel, his signature check plaids or in sparkly brocades. The story revolved around with a group of bright coats, in purple, green-yellow and rose-pink, swirling from a small midriff. Other skirts stuck out over petticoats. Worn by a model who could hardly tread down the runway in high heels, they looked too juvenile for modern women.

But Valentino had also taken up the plot story from his January couture show, and they were cute, giving a floppy touch to an elongated jacket and shimmering at night in graceful tiers.

Feathers are a big Paris story, and Valentino's plumes rivaled ruffles in the show's long journey through the night.

Eric Bergère is just 30 and he tried, in his first Larvin ready-to-wear show, a balancing act that would have defied a much more

experienced designer: classic day-time tailoring pepped up by changing the proportions, swapping skirts for shorts and using Op Art patterns. A slightly state whiff of the 1960s, hung about the beehive hairdos and metallic silver evening outfits. Graphic block coats weren't bad; Helen O'Hagan of Sak's praised the funky fake furs. But simple evening outfits were let down by their make. Larvin has some hard thinking to do about what image it wants to project for a 1990s couture house.

Hermès has taken two years to get its design act together, but finally this season it came right, with simple sporty shapes for day and evening that are the root of the house's look. The show had a feel for quality that is what modern luxury is all about. It came through in fabric and color in duffel coats and quilted parkas that were shown here in double-faced cashmere — almond-green reversing to lilac; or in the simplest riding jacket in paddock green with mud-brown leather elbow patches.

The signature prints included a crazy patchwork of necktie designs and a patterned body-blouse that was right on target. Leather, for which Hermès is famous, seemed to have slipped the bridle.

Frederic Castet, formerly fur designer for Christian Dior, started his first ready-to-wear show with a parade of spotted fake furs — a sign of the times. But he soon came up with sumptuous furs from a wine-red mink duffel or bright coral. This was a show where everything went with a swing from the soft white-cashmere coat lined in lynx to an authentic-gray flannel coat lined with a cloud of chinchilla. The workmanship of the furs throughout was very fine and the finale produced three show-stoppers: mink worked into three scenes — of tribal Africa, imperial China and a shocking-pink Eiffel Tower rising up the backbone among other European images. "The best ending to any show I have seen in Paris said Joan Kaner of Neiman Marcus.

## East German Winners Predict Rapid Coalition

Reuters

BERLIN — East German conservatives said Tuesday that they would form a coalition government within two weeks.

The Christian Democrats, the leaders of the three-party Alliance for Germany, which won the country's first free election on Sunday, said they would join with liberals if the Social Democrats, who came in second in the election, still rejected coalition overtures.

"It must happen in less than two weeks," said Gottfried Müller, the deputy leader of the Christian Democratic Union.

Party officials said their leader, Lothar de Maiziere, who is likely to be prime minister, would go to Bonn on Wednesday to talk with Chancellor Helmut Kohl about building a coalition and about rapid steps toward German unity.

Three small liberal parties that jointly won 5.3 percent as the Alliance of Free Democrats decided Tuesday to merge into a single Free Democratic Party, a mirror image of the junior coalition partner in Bonn.

The new party's leader, Rainer

Ortleb, refused to speak about a coalition with the conservatives, but other liberals said they were eager to join a government.

Volker Rühe, the secretary-general of the West German Christian Democratic Union, who attended an East German party meeting in Berlin, said he still hoped the east's Social Democrats would join a coalition.

Regional officials of the Social Democratic Party met Tuesday to weigh the party executive's recommendation Monday against a coalition role. Participants said the recommendation was almost certain to be accepted.

The Social Democrats' official reason for turning down the coalition was their refusal to deal with the German Social Union, the most rightist member of the Alliance for Germany. But political commentators said that after the Social Democrats' surprisingly poor showing, a more probable reason was a determination not to be blamed for the unemployment and social upheaval that are likely to affect East Germany in the coming months.

## DIRE: NATO Is Warned to Brace

(Continued from page 1)

success, the experts said that his approach to solving Soviet problems justified Western support, including consideration of food aid to help him survive politically.

But the discussion included a warning that the decomposition of the Soviet state might bring a potential last-ditch threat from desperate military leaders.

With Mr. Gorbachev's economic renewal program in shambles and public discontent rising, the experts said, the Soviet leader has nearly exhausted the prospects for stimulating greater democracy in the Soviet Union and was turning toward stronger personal power to cope with domestic dissatisfaction and ethnic separatism.

But as Mr. Gorbachev has moved away from his original power base in the Communist Party, they said, Soviet military leaders were becoming drawn more deeply into the struggle to arrest the nation's slide and possible collapse.

Marshal Sergei F. Akhromyev, the former Soviet chief of staff, was quoted as having told one Western expert that the Soviet Union was entering the most dangerous phase

of its history since 1917, the year of the Bolshevik Revolution.

Recommending a conversation in Moscow in January, the expert said that Marshal Akhromyev, a senior military adviser to Mr. Gorbachev, emphasized that a sentiment of imminent national catastrophe spreading among Soviet military leaders could threaten the Moscow regime and even foreign countries.

Outlining three scenarios confronting Moscow, Mr. Frank reportedly said that the Soviet Union might slowly disintegrate, with some republics breaking away and political authority and economic life collapsing even in a smaller core state around Russia.

A second possibility, he said, was that factional rivalries might escalate into civil war, with the armed forces taking opposite sides in a conflict resembling the turmoil that engulfed the country after 1917.

Least likely, Mr. Frank said, Mr. Gorbachev, wielding his newly enhanced presidential powers, might create enough political and economic momentum to hold together a smaller Soviet Union.

## Shevardnadze Assures Baker on Lithuania

By John M. Goshko  
Washington Post Service

WINDHOEK, Namibia — Foreign Minister Eduard A. Shevardnadze assured the U.S. secretary of state, James A. Baker 3d, on Tuesday that the Soviet Union did not contemplate using force to stop the secession of Lithuania, and Mr. Baker said that the United States had no reason "not to take him at his word."

At the start of the meeting, Mr. Shevardnadze was asked about mounting concern in the United States and Western Europe that Mikhail S. Gorbachev might use troops to block Lithuania's declaration of independence.

"We are against the use of force in any region and particularly against using force domestically," Mr. Shevardnadze said. "This is what I've been saying all the time."

After the meeting, Mr. Baker appeared with Mr. Shevardnadze briefly, saying that his Soviet coun-

terpart had told him "force would not be a solution to the problem of Lithuania as far as the Soviet Union is concerned."

After Mr. Baker saw Mr. Shevardnadze to his car, reporters asked whether the secretary believed he had been given a categorical assurance against the use of force in Lithuania.

He replied: "I thought he was fairly definitive. They want to solve the problem through dialogue. He said that several times. There is no reason we have not to take him at his word."

The two ministers are in Namibia for independence ceremonies.

Later, a senior U.S. official elaborated on Mr. Baker's remarks: "If someone says we're not going to use force, that strikes me as meaning what he said. What he said when he went in, what he reported to us in the meeting, sounds to me like they're not going to use force."

## Capucine, 57, Film Actress, Dies in Fall From Building

Agence France-Presse

LAUSANNE, Switzerland — Capucine, 57, a French film star who during her Hollywood career portrayed the discreet charm of French elegance, died Saturday after apparently jumping from the eighth floor of her apartment block.

Her friends said she had been in a state of depression for some years. She settled in Lausanne 28 years ago. Born Germaine Lefebvre in Toulon, France, Capucine became a leading Paris fashion model in the 1950s. After a playing a small film part in Jacques Becker's "Rendez-vous de Juillet," she moved to the United States, working as a model in New York and studying English and drama.

In 1960, Columbia Pictures gave her a part in "Song Without End" opposite Dirk Bogarde. The next five years included Henry Hathaway's "North to Alaska" with John Wayne, "A Walk on the Wild Side" and Jack Cardiff's "The Lion." Ca-

puccine was also in "The Pink Panther."

Back in Europe, she appeared in a dozen films, including Federico Fellini's "Satyricon" in 1971. She often worked in Italian cinema and television. Her last film was Blake Edwards' "The Curse of the Pink Panther" in 1984.

Walter S. Mack, 94, Headed Pepsico for 13 Years

NEW YORK (NYT) — Walter S. Mack, 94, a president of Pepsico Inc. who made Pepsi-Cola a leading soft drink in the United States in the early 1940s, died of heart disease Sunday in New York.

Mr. Mack was a maverick financier and businessman with a knack for turning around ailing companies, and he became chief executive of more than a dozen such firms. He led Pepsico Inc. from 1938 to 1951, establishing its soft drink as the leading challenger to Coca-Cola by using inventive advertising and public service.

## PROFILE: Late for a Flight?

(Continued from page 1)

flies in which there is heavy drug traffic.

Officers try to keep details of the profiles secret. "It changes constantly and it's not for public knowledge," said Donna De La Torre, a Customs Service spokeswoman in Houston.

Although the court's ruling specifically addressed airports, Ms. Siegel said that profiles were also being used "on highways, in train stations and on interstate buses."

"We do it because it works," said Con Dougherty, a spokesman for the drug agency. He conceded that innocent people were probably stopped as often as guilty ones.

Perhaps the sharpest increase is in the use of the profiles that predict who has swallowed drug-filled pouches, and subsequent X-rays.

Under the jurisdiction of the Customs Service, drugs were found in 251 X-rays nationwide last year, up from 106 the year before.

The sampling of the records from three big-city customs stations suggests that drugs are found in about 40 percent of the cases. In New York, Miami and Houston, of 348 suspects who were X-rayed, 161, or 46 percent, were found to be carrying drugs.

In Miami, of 101 X-rays, 67 found drugs. In New York, of 187 X-rays, 90 yielded drugs.

But in Houston, of 60 people X-

rayed, just 4 were found to be carrying drugs.

The couriers who swallow drugs use a rubber pouch, usually a condom, that is sealed with tape.

There is considerable risk in this method, because the couriers can choke, or can die of an overdose if the pouch breaks. The drugs are retrieved after passing through the courier's system.

Ms. De La Torre said 86 percent of those X-rayed in Houston were Nigerian.

She said that heroin was often smuggled into the United States from Nigeria, so those travelers were given extra scrutiny.

Profiles of drug swallows are "important and useful," she said. For Mr. Aedeokian, that is scant consolation. He says he is considering joining a dozen other Nigerians in a lawsuit against the agency.

## CHINA: A Beijing Intellectual Backs the Leadership

(Continued from page 1)

wrangling appeared in People's Daily a year ago.

But it was the student democracy movement, which ultimately led to the dismissal of Mr. Zhao from his post as party leader, that most clearly distinguished Mr. He from other intellectuals.

The Australian Journal of Chinese Affairs recently published a copy of a confidential memorandum by Mr. He to the leadership, written on April 28, a day after one of the most momentous demonstrations of the student movement. Such briefing materials for the leadership are rarely glimpsed by outsiders, and this was a remarkable call for the government to accept the democracy movement as a serious threat.

"Civil war, military coups and popular uprisings in China for decades to come are now far from unthinkable," he asserted in a statement that probably inflamed the alarm within the leadership.

Yet the memo also warned against taking too repressive a line, for that might antagonize the population and create dissident heroes.

Instead, Mr. He suggested that the leaders deal with allegations of corruption and take other steps to restore public confidence.

Above all, he contended, the government should avoid violence.

"History has taught us that in the long run those who die as a result of political repression invariably become heroes and martyrs," he wrote.

His arguments were not heeded, but Mr. He does not now question the eventual use of violence. He says that the situation deteriorated after he wrote the memo and that he understands the leadership's decision to use force.

"It is a great pity that there was bloodshed," Mr. He said. "But the situation was getting worse and if force wasn't used it could have gotten out of hand and the consequences would have been unimaginable."

Word of Mr. He's secret advice to the leadership spread among intellectuals and deepened his reputation as a traitor. For while he urged restraint, he clearly came down against the democracy movement and his memo even named a

few intellectuals as instigators of the unrest.

After a July television appearance in which he expressed strong support for the government and a few like-minded newspaper essays, Mr. He received a flood of 4,000 letters from around the nation. He says some letters hailed him and some condemned him.

The role that Mr. He plays has no direct counterpart in the West, for nominally he is only a researcher at the Chinese Academy of Social Sciences. But scholars are widely respected in Chinese civilization, and they can help buttress or undermine the legitimacy of a government.

After the crackdown, when most intellectuals were silently disappearing, it was very important for the government to have younger people, and especially scholars, to grant a seal of approval on the repression and thereby endow it with virtue.

The essence of Mr. He's argument is that while democracy is a worthy goal, it takes decades or centuries to develop the educational and cultural base that can nourish a democracy.

## Police and Protesters Clash at Tokyo Airport

The Associated Press

TOKYO — Riot police tore down a tower erected by protesters and arrested seven persons Tuesday at the site of a planned expansion of Tokyo's international airport.

It was the second day of clashes at the site, according to an official of the Chiba Prefectural Police. The tower was the third removed since December, but there are still eight structures remaining on the planned site of a runway for the international airport at Narita, 65 kilometers (40 miles) northwest of Tokyo.

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# IN APRIL

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## OPINION

## Tactical Imperatives and Strategic Guesswork

By Charles Krauthammer

WASHINGTON—"Tactics is what you do when there is something to do," said the chess grand master Savile Tarkenton. "Strategy is what you do when there is nothing to do."

Things are going America's way so splendidly abroad that there is little for it to do. Accordingly, a great hue and cry has arisen over the Potomac demanding a Grand Strategy of the future. Representative Richard Gephardt and other strategic thinkers are deeply dismayed that such a vision is not forthcoming from the White House.

Great strategic visions, however, require some clear idea of what the future is going to look like. We have no idea what the world is going to look like next year, let alone next decade. How many states will inhabit the Soviet Union in the year 2000, for example? Very sober Sovietologists have offered me estimates ranging from eight to 14.

And we know from history what happens when you devise grand strategy on a misapprehension of the future. Toward the end of World War II, the Roosevelt administration thought that in the postwar world the United Nations would play a central if not decisive role in international relations. Accordingly, at Yalta, Roosevelt bargained away Poland in return for Stalin agreeing to American demands regarding voting procedures at the United Nations!

But there are some very real tactical items that ought to be on the American agenda and that have been getting lost in the cries for grand strategy. The immediate tasks are three.

**Stay in Europe.** That means resisting domestic isolationists and European, especially German, nationalists, who would have America leave. There is no need to stay in Europe at current force levels, but leaving it entirely would be disastrous. The renunciation of Germany is a seismic threat to European stability. The United States is the one Atlantic power not viscerally afraid of Germany. It is also the only one that all of Europe trusts. A strategist should always be a pessimist. The best insurance against an outbreak of European instability is a continued American presence on the Continent.

**Keep trade open.** The difference in prosperity between the post-World War II and the post-World War I era is due largely to the openness of the world trading system. The immediate task for the United States is to avoid a trade war with Japan, regardless of how attractive that prospect is to American politicians hungry for a new—preferably nonwhite—enemy now that the Soviets have retired from the scene.

**Bankroll democracy.** It is absurd for a country with a \$5 trillion economy to

pled poverty when asked for contributions of \$1 billion or less from countries as important as Panama, Nicaragua and Poland. President George Bush's proposal of a "Fund for Democracy"—\$300 million for Nicaragua, \$300 million for Panama drawn from the defense budget—is the right idea, but still too miserly.

With the Soviets in eclipse and with new democracies on the financial brink, the best foreign policy investment is to bail out the potential allies falling into America's lap in Central America and Central Europe. The United States has correctly invested \$300 billion a year in defense as a way of securing its position in the world. Why not redirect 5 percent of defense dollars into a \$15 billion democracy fund that could be moved around to shore up friends in distress?

Where to take the money from? Here is where one has to make some strategic guesses about the future. They are guesses. Because the United States does not know where future threats will come from, it might begin to reshape its defenses to conform with its geography. America is an island continent. Its commercial republic requires free passage for its goods. That means control of the seas, skies and space.

Congress, however, would prefer to cut such essential things as overseas

bases, naval deployments and research on space defenses, and keep afloat politically popular military bases in the American interior that have absolutely no military utility. At a time when the United States is starved for new airports and prisons, maintaining make-work domestic military bases that could otherwise be usefully employed is a particularly stupid idea.

True, there is no need for immediate deployment of a space defense against the possibility of Soviet attack. But now that even Iraq has launched a three-stage intercontinental rocket (and shown adeptness at chemical warfare), it would be folly for the United States to slacken the pace of research for some future space defense.

America has inherited from Britain, another island nation, the role of defender of the seas. It takes no great imagination to see that in the next century space will play the role that the high seas have today. Forget grand strategy. Whatever the shape of the world of the future, the destiny of the United States will be tied to its control of space and the seas.

The very worst thing for Americans to do would be to fund the past, represented by the redundant military bases at home, by robbing space and naval forces of the future.

Washington Post Writers Group.

## The Tarrytowns Love the Japanese

By Carin Rubenstein

NORTH TARRYTOWN, New York—Rockefeller Center, Columbia Pictures, CBS Records. What other American icons do the Japanese want to buy? They can have it all. Here in the Tarrytowns, we've learned that

## MEANWHILE

Japanese corporations, and not American ones, make the best neighbors.

In 1978 the General Motors plant in North Tarrytown began a series of attempts to lower its taxes by lowering its assessed value. By 1983 it claimed to have overpaid local taxes by almost \$7 million, an amount that neither the town nor the school district could possibly repay. Encouraged by Governor Mario Cuomo, the local taxing authority was forced in 1985 to accept an

agreement in which General Motors was no longer assessed any taxes. It only had to make small "payments in lieu of taxes" for a 10-year period.

Of course, every taxpaying entity has a constitutional right to challenge its tax assessment. This is the American way; it's called a tax certiorari.

Several other American corporations have filed successful tax certiorari cases here. In a recent decision, which affects 23 of the 25 towns in Westchester County, Consolidated Edison's tax assessment in Tarrytown alone was reduced by \$872,823. Technicon, a manufacturer of medical diagnostic equipment, won a cash payment of at least \$811,000 for back taxes.

Hitachi America Ltd., a subsidiary of Hitachi Ltd. in Tokyo, has been based in Tarrytown for six years. It has never filed a tax certiorari case.

Indeed, Hitachi tries to become involved in our schools and our community. It underwrites an annual \$20,000 college scholarship and sponsors a teacher-exchange program with Japan. The Hitachi Foundation donated \$10,000 to form a local homework help line so that high school students can tutor younger students. In coordination with a team of local students, Hitachi's "Community Action Committee" donates about \$3,000 a year to neighborhood causes.

Neither General Motors nor Con Edison has such a committee. Indeed, when we solicited a donation from General Motors several years ago for a parent-constructed playground, it refused, suggesting that we try the union. It did, however, offer three used steering wheels for pretend cars. This is the corporation that has made North Tarrytown its home since 1914 and recently proclaimed itself the most profitable car manufacturer in the world.

Because American corporations and utilities value bottom line priorities above community responsibilities, our schools and our children will suffer. Our school district is being held hostage, as others will be, while a financially devastating wave of "tax cuts" swamps more and more towns. A study by the New York State School Boards Association, evaluating the impact of tax cuts on education, found that since 1984, state school districts had refunded more than \$30 million in taxes.

As a direct result of lost revenues from tax cuts in Tarrytown, our budgetary shortfall is \$2.1 million this year. Our school board has proposed a budget that lays off about 90 teachers and aides, at least half of whom live in the community. These cuts will hurt educational programs at every grade level and for every type of student.

We pride ourselves on having one of the most successfully integrated school systems in the New York area. In fact, Tarrytown is a microcosm of American diversity. We have the highest proportion of Hispanic residents in Westchester County and we rank in the top third for elderly residents. But as for median income, we are in the lowest third. Most residents simply cannot afford to provide the schools with the increased financial support that successful, all-American corporations refuse to offer.

So let Japan Inc. buy up corporate America, starting with General Motors. We prefer the Japanese sense of community spirit to the American profit-or-perish philosophy.

The writer, a member of Save Our Schools, a voluntary association of residents in the "Tarrytowns," contributed this column to The New York Times.



## A Good Buyer for a Good Buy

TO MANY Americans over 40, Rockefeller Center has been the symbol of American urban grandiosity and confidence—the grand temple of Henry Luce's American Century. Should we be saddened that Mitsubishi, the Japanese conglomerate, bought a majority interest in it last October?

I don't think so. When I was a child, my family went almost every year, just before Christmas, to New York. The centerpiece of the visit was always Rockefeller Center. We went to see the Rockefeller high-rise at Radio City Music Hall, ate at a very bad, and to me very exotic, French restaurant next to the skating rink, and walked through expensive shops decorated in gold and red. (We rarely bought anything; shopping was a spectator sport.)

I remember looking up with amazement at the center's soaring, Art Deco architecture with those figures made to appear as if they had been sculpted by a machine. The look emphasized that Rockefeller Center was a celebration of the Machine Age in its heyday.

But it was more than that. Then, far

more than now, Rockefeller Center was also a symbol of high, international, commercial culture. The stores sold chic fashions, rare books, Paris jewelry, silver cigarette cases, perfume. Rockefeller Center seemed unique in its rich urbanity.

And now the Japanese, with the swelling confidence of a new mercantile elite, have taken over this monument. Good for them, and good for foreign investment! It helps finance America's debt, reduce inflation, raise productivity and keep people employed.

In fact, most American companies they did not think that the infusion of money would increase profits and productivity more than enough to offset the dividends going abroad.

And Mitsubishi's purchase of Rockefeller Center was symbolically fitting. Who better than the Japanese—with their thick wallets, global mobility, fascination with foreign fashions—to buy into such a commercial temple? They'll take good care of it.

—Bob Whitcomb, writing in the Providence (Rhode Island) Journal.

## LETTERS TO THE EDITOR

## Father Was No Traitor

Regarding "Will Europe's Blue Bloods Succeed the Red Flag?" (Meanwhile, Feb. 21):

I deeply resent the fact that Harold Brooks-Baker, or indeed any other Englishman, dares to refer to my father, Prince Paul of Yugoslavia, as a "traitor" when nothing was more duplicitous than British behavior toward my father during and after World War II.

The British, in their cunning, worked behind the scenes for months to prepare a coup that destroyed Yugoslavia's neutrality in 1941, ousted my father and precipitated the country into Hitler's lap. My father, an eternal Anglophile, and my whole family were then interned by the British in Kenya under humiliating circumstances. Not only this but, owing to massive Soviet infiltration of British intelligence operations, the British also backed and supported Tito and the Communists who subsequently took over the country.

ELIZABETH,  
Princess of Yugoslavia,  
New York.

## Post-Cold War Targets

Rather than sitting back and watching Cambodia, South Africa, Chile, the former Soviet-bloc nations and others struggle to find new structures to fit the

new times, perhaps the United States should take the time to scrutinize its own approach to government.

The seemingly sacrosanct power of the military-industrial complex, the graying of the baby boomers, the collapse of the law enforcement and legal systems, the ineffectiveness of the education system, the budget deficit, the dearth of capable people willing to choose politics as a career—these and many more problems in American society are not being adequately addressed.

The Democrats seem to be floundering, unable to steal the limelight from George Bush. If their best minds began now to investigate how government should be modified to better meet people's real needs, attention would be riveted on them, not on an administration that seems reluctant to admit that the Cold War has ended.

JOHN A. HURST,  
Singapore.

Regarding "Thanks, Jesse, for Bowing Back In" (Opinion, March 6):

It appears the conservative etymologist William Safire is searching for a new "bad guy" now that Cold War rhetoric is unfashionable. His supercilious attack on Jesse Jackson for not running for the Washington mayoralty belonged not in print but in the editor's trash barrel.

JOHN OTRANTO,  
Munich.

## Cigarettes and Silliness

Regarding "Let's Have a War on Cigs, and Make It Real" (Opinion, March 9):

Anna Quindlen advocates a "war" on cigarettes, and urges Congress to "take real action to cut demand." I would suggest a "war on silliness," in which sensible people isolate superficial columnists who trivialize the country's serious drug problem by lowering it to the level of their own petty "flavor of the month" gripes. We'll never get children off crack and heroin if we keep comparing their terrible addiction to the legitimate use by hundreds of millions of people of legal products like cigarettes, beer, fast food and coffee.

PAUL MAGLIONE,  
Lausanne, Switzerland.

## Handicapped by MSG

Regarding "Avoiding Monosodium Glutamate" (Health/Science, March 8):

I suffer from a sensitivity to monosodium glutamate that causes reactions far exceeding those of the so-called Chinese restaurant syndrome. On three occasions the reaction has been so severe that I was bedridden for up to four days. Physicians can offer no relief.

MSG is used so pervasively that it is almost impossible to avoid exposure. If I am a dinner guest, I have to question my host about the preparation of the food. At

restaurants, I must subject the waiter or waitress to embarrassing questions, and sometimes ask for alterations of the menu. This is a handicap that hems my life as surely as a physical disability.

MSG use by food manufacturers, processors, vendors and restaurants is a menace. Its presence should be clearly declared on labels, and people should be educated to its dangers. It should be banned from use wherever it is subject to unwitting consumption by the public.

RICHARD HAYHOE,  
Nara, Japan.

## Graves and Goddesses

Regarding "Goddess Theory Creates Storm" (Health/Science, Feb. 15):

Peter Steinfels discusses the theory that in 7000 B.C. the people of Europe lived in a matriarchal society, claiming that the "dramatic story" was originally set forth in a 1974 book, "The Goddesses and Gods of Old Europe" by Marija Gimbutas.

The theory is much older. The poet-novelist Robert Graves wrote "The White Goddess" some 30 years earlier and made marvelous use of the theme in poetry and fiction—I believe he gave due credit to earlier scholars, but his own work should not be ignored.

JOHN MAINWARING,  
Malaga, Spain.

## AMERICAN TOPICS

Rehnquist Rebuffed  
By Senior Judges

Although Chief Justice William H. Rehnquist often speaks for the conservative majority on the U.S. Supreme Court, he does not necessarily speak for the federal judiciary. The New York Times notes. Justice Rehnquist had a recent reminder when the 26-member Judicial Conference of the United States, which he heads, voted against his proposal for legislation that would speed the pace of executions. Instead, the judges amended the proposal to make it more favorable for defendants and less likely to result in speedy executions.

The conference serves as a kind of board of directors for the U.S. judicial system. And although the conservative Republican President Ronald Reagan appointed more than half of all the federal judges now in office, the judicial conference, whose membership is based on seniority, has only one Reagan appointee.

## Short Takes

**Canaan, Connecticut,** has become the casino capital of the United States. Within the past month, 29 abandoned caboosees bought as scrap for about \$2,500 each have been lined up on a siding stretching for about a quarter-mile (two-fifths of a kilometer) outside the restored Union Station. The caboosees once rode at the end of freight trains, with crew members monitoring the cars ahead. This function is now handled electronically, and few caboosees are still in service. The buyers of the Canaan caboosees are two businessmen, Ross Gramman and Paul Ramunni, who plan to convert them into motel units and stores. Mr. Ramunni said, "Our train sets are a little bigger than most people's."



**SPIKED ON A REFERENDUM?**—A sculpture entitled "Spindle"—eight cars impaled on a 50-foot spike—gracing a shopping center in Berwyn, Illinois. Residents were to vote on requiring the owner of the shopping mall to remove the object.

After minoxidil, a compound used to lower blood pressure, was found to grow hair as well, the U.S. Food and Drug Administration approved it in 1988 for sale as a hair restorer.

ative, by doctor's prescription only. This year, the FDA banned other baldness remedies as ineffective. That left Upjohn Co., which has been marketing minoxidil under the name of Rogaine, a clear field. Though 39 percent of Rogaine users get a moderate to dense regrowth of hair, it has not been an instant hit. It must be rubbed into the scalp twice a day, as long as the user wants to keep his hair, and it costs \$50 a month. However, sales are growing slowly and now are approaching \$100 million a year.

Philadelphia, the host of the 200th anniversary celebrations of the U.S. Constitution in 1987, is gearing up for the 200th anniversary of the death of Benjamin Franklin, statesman, diplomat, inventor, publisher and one of the framers of the Constitution. "We've stopped using the word 'history,'" said Merle Levitz, vice president of the city tourism bureau. "We talk about heritage now—it sounds more lively."

## Notes About People

Donald Trump is calling his new casino in Atlantic City the Trump Taj Mahal. But he can't register the name as a trademark, the U.S. Patent and Trademark Office has ruled, because it says the trademark already belongs to Taj Mahal in Washington, a small restaurant that is approached up a darkened staircase. The Washington Post says Mr. Trump has left the matter to his attorneys.

Representative Barney Frank, Democrat of Massachusetts, after hearing Richard D. Darman, the Bush administration's budget director, talk about deficit reduction, said of Mr. Darman, "There are people always in this town that let you know that they're the secret good guy. They're really fighting hard inside against these other people for the right things. They never produce. But you should know that they really are trying very hard. And I think Darman is a master at being a secret good guy."

Arthur Higbee

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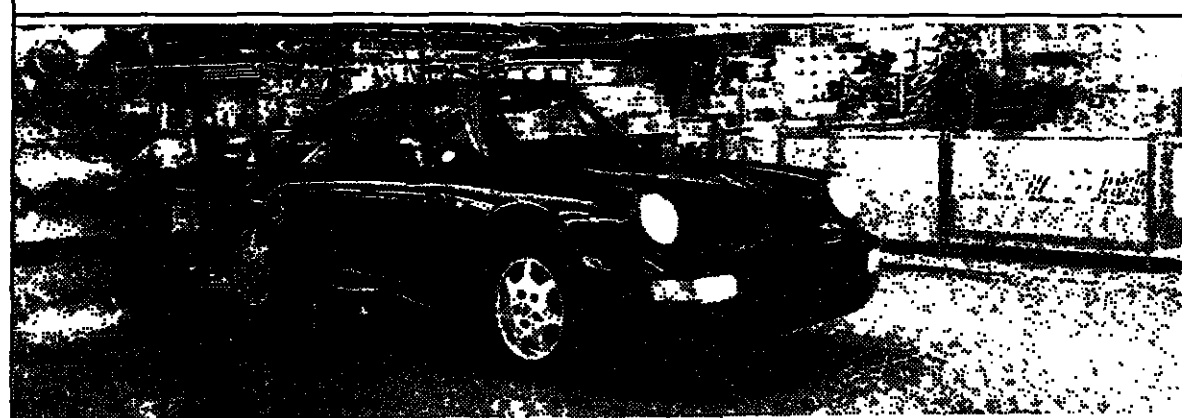
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Zeffirelli,  
Hell and 'Don  
Giovanni'

San Francisco/The New York Times

By Gerald Gold  
New York Times Service

**N**EW YORK — The inspiration may be Baroque, but when Franco Zeffirelli directs his new production of "Don Giovanni" at the Metropolitan Opera, which opens Thursday, he leaves little doubt that the execution will be vintage Zeffirelli.

"It's a big opera," he says. "Many things happen. Heaven and Hell are unleashed. It's a big production. You have three orchestras on stage, a ball, dances. For Mozart's time, too, it was a big production."

And yet the designer and director, 67, is at some pains to explain that his conception of the production has its roots in Baroque stage practices. He is especially proud of the rapid scene changes of this production — often with columns moving about the stage in various configurations, against paintings of sky and landscapes — and the flexibility they provide.

This is far from the first time Zeffirelli has staged Mozart's masterpiece about the libertine Don Giovanni, his sexual conquests and his blasphemy.

"I have done five 'Don Giovanni's' in my life," he recalls, "and every time has been different, because 'Don Giovanni' is different every moment in your life. It is one thing when you're young, another when you're old, another when

you're in love. It reflects what you feel. So you reflect into this mystery what you like.

"I think I'm a much more serene person now, more balanced. I know more, I know better, about theater, about how to avoid certain mistakes. I don't want to do anything outrageously personal. In this particular opera it would be very dangerous, because the opera is such a completely and totally achieved miracle. It contains so many different things — values, layers. You want to do it in Spanish style, fine. You do it in Spanish style and then you realize it's not Spanish, it's Italian. Or Vienna. This is Mimi Europe. Then you realize it's something else, maybe Italian."

As he talks about the production, Zeffirelli gets carried away into the metaphysics of staging Mozart. "So I said this time I want a space into which the music will expand and explode, and the story will unfold. I am using a lot of the technique of 18th-century stagecraft, but seen through the eyes of today's very spoiled audience. It is a most pristine production, but also the most elaborate when the music requires it; rich. At the end of Act I there's a party with three orchestras on stage, plus the one in the pit. Dancers. It requires — it cries out for — a spectacular scene. Otherwise it is too lean, and you just have

## OFF STAGE

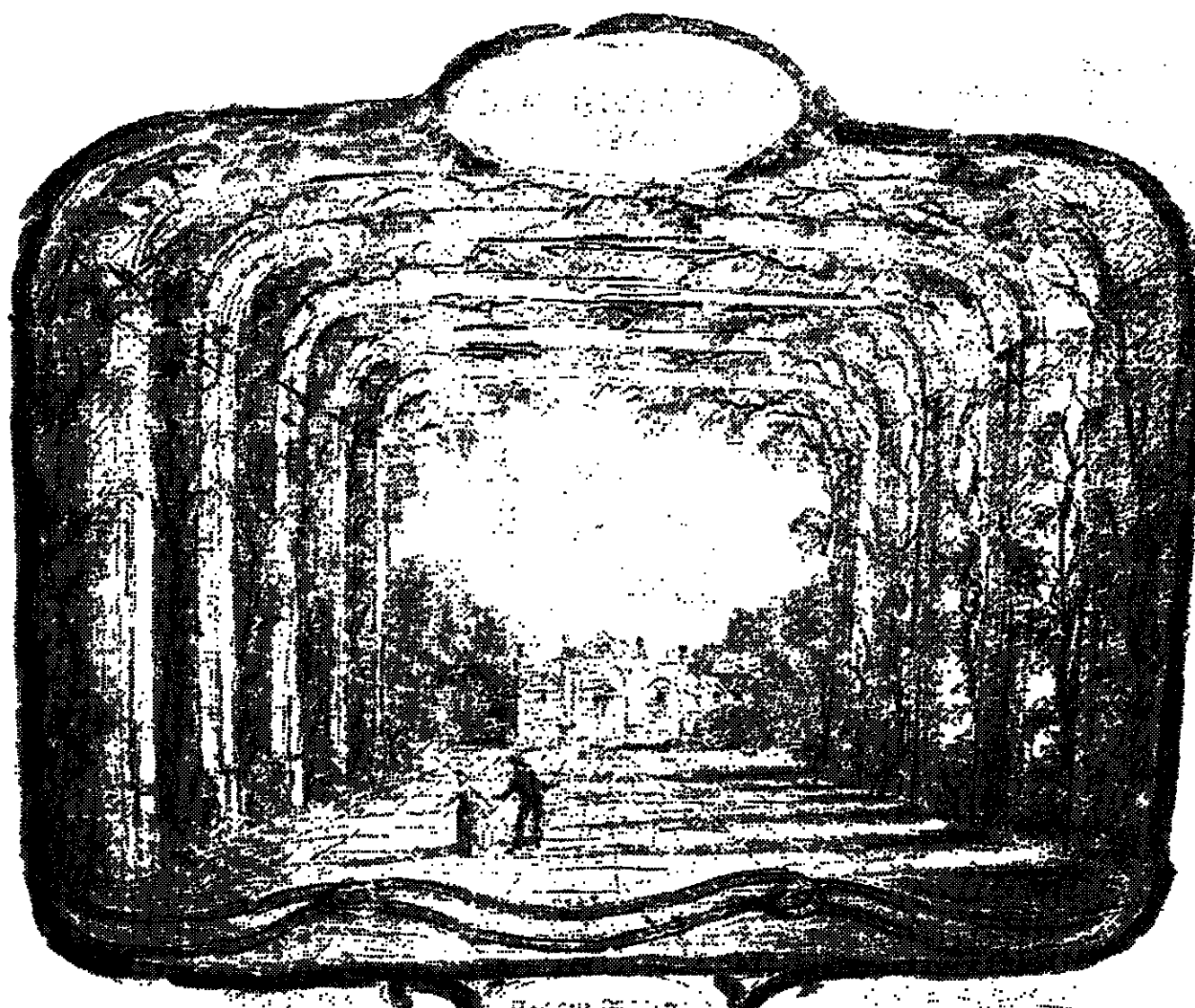
characters with an enormous space around them.

"This particular machine (or invention, or conception or production) has the advantage of palpating with the music and the drama. Scene changes happen instantly — two, three, four seconds — suddenly you have moved from one mood to another, following the music."

"I am literally using the structure of the Baroque theater, with wings and portals. Mozart's roots are in the Baroque theater, but I like him, move into new revelations and discoveries. The way scenes change, the lighting, the painting, have their roots in this kind of theater, but at the same time I'm projecting into new areas and new styles when the music requires it."

As he describes the stage effects, the director grows positively rapturous, and one seems to get a glimpse into how he translates the abstract into the visual.

"It starts by lifting the audience from their seats. You are in the sky, in heaven. Clouds, like flying over the clouds. But they're not very peaceful clouds; they're stormy clouds. This is during the overture. The music is strong; it tells a story. The overture tells



Zeffirelli, left; design for the garden in front of Don Giovanni's palace in Act 1 of Zeffirelli's "Don Giovanni."

about good and evil, heaven, a man defying God. Gradually there are moments of clearing up in the music, and at those moments the skies become more transparent, and finally all the clouds fade away, and we reveal to the audience the space in which the action is going to take place — this box that says 'the end of the 18th century.'

Asked whether it was pertinent to his design concept that the theater in Prague in which "Don Giovanni" had its premiere in 1787 was, unlike the Met, very small, Zeffirelli contended that the size of the theater was not necessarily a determining factor in stage design.

"The machinery they had in the 18th century was very elaborate. God coming down, devils, fire, immense richness in illustrating the piece. They had one advantage in that the lighting was so dim that anything became magical. Now, we have brighter lights and can achieve astounding effects."

It is clear that part of Zeffirelli's absorption with spectacular effects arises from the possibilities inherent in the extraordinary physical plant provided by the Met. And he is full of praise for everyone connected with the production — stage crew, the cast (including Samuel

Ramey, Carol Vaness, Jerry Hadley, Kurt Moll and Dawn Upshaw) and, not least, Sybil Harrington, whose money has helped put on many a Zeffirelli production, including this million-dollar "Don Giovanni."

Critics of past productions notwithstanding, he is, he says, "very proud of this production. It is perhaps the most beautiful production I have ever done in my life, the most civilized, the most faithful to the author."

And once more his eyes shine, as he talks about the spectacular descent into Hell near the end of the opera.

"Half of my attention has gone into the last 20 minutes. The beginning and the end is what this opera is about — the supernatural, the defiance of man against God: 'I defy death, I defy God' — and he is crushed."

"The music is diabolical. For Hell we go back to the cemetery of Act I, a cemetery of rich people with elaborate monuments. The tombs burst open, and, from underneath, those already burning in Hell will appear, and the sky crashes. It's all in the music. The horror of death."

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## LONDON THEATER

Sunday on Stage  
With SondheimBy Sheridan Morley  
International Herald Tribune

**L**ONDON — Though it has occasionally ventured into musicals, the National Theatre has never before given one the respect or attention it now bestows upon Sondheim's "Sunday in the Park with George." (The last notable exception was Laurence Olivier's dream, the triumph "Guys and Dolls," finally realized by his successor Peter Hall, and directed by Richard Eyre.) "Sunday" has received an unprecedented 10-week continuous run on the Lyttelton stage, and an entire shop in the foyer selling Sondheim tapes and T-shirts — an honor as yet unshared by William Shakespeare or Molière, both of whom have been in the recent repertoire. There has also been an immense publicity campaign. All of this indicates that the National has finally recognized that a great American musical deserves to be given true classic status.

Whether or not "Sunday in the Park" represents the American musical, or indeed Sondheim's songwriting, at its greatest remains an open question. First seen on Broadway in 1984, where its Pulitzer Prize helped bestow academic distinction on Sondheim, who is now First Professor of Theatre at Oxford, this is a musical about George Serrat, his painting of "La Grande Jatte" and above all about the innate difficulty of art.

This is also Sunday on the Stage with Stephen, perhaps the most autobiographical of all his dozen major musicals in that it tells of a man reckoned too revolutionary for immediate commercial success, and of a market economy more concerned with profits than with original creation.

"Art isn't easy" is therefore its constant theme, and the musical itself has never been easy either, not least because of the great divide between its two halves. Act 1 is simple and breathtaking. It brings to life Serrat's most famous pointillist painting, joining the dots that caused so much controversy in the art world of late 19th century France, and showing us not only the lives of all those on canvas, but also of the painter himself. In Steven Finckel's confident production, set within the framework of Tom Cairns's stunning set, this visually self-contained act is still more impressive than in the rather more cramped production on Broadway five years ago.

Act 2 is more recent. "Into the Woods" is, in that sense, an industry by industry, and more accessible than "Sunday," which for all the current National expertise still has the jagged and unfinished quality of a musical which started out in one direction and finished up somewhere altogether different.

The performances of Philip Quast as Serrat and Maria Friedman as his recalcitrant model and mistress Dot are (if rather less than those of Mandy Patinkin and Bernadette Peters in New York) wonderfully in harmony with what is now much more of a company show.

Then, however, we jump a century to the second act. Although much revised from the Broadway original, it still lacks a certain cohesion. Whereas Act 1 is total, Act 2 remains stubbornly work-in-progress. The linking device is George II (again played by Quast), a grandson of Serrat, who has chosen to work in electronics and pop performance art; this allows Sondheim to satirize the present preoccupations of the commercial art world and contrast its pretensions with the purity of a bygone age of pointillism.

But it isn't until the younger George goes back to Paris for a reunion with the ghostly Dot that the second half begins to come together, and only then to re-echo what we have already learned about the artist needing to find himself and then stay found. Friedman has meanwhile done a stunning impression of Dot's own granddaughter at 90, but the show itself has proved less versatile, if only because once a painting has been brought to life, it is somehow very hard to be asked to care about any other ideas within the frame.

**L**IKE all Sondheim's musicals, this is also about an inability to connect, and about the survival of art over life itself. Serrat's critics have him, suggests a minor character, because they know he will always be around; the same could have been said of Sondheim and his disciples. What is intriguing about his recent canonization on both sides of the Atlantic (by the end of this year Sondheim will have had three shows on Broadway, counting the new "Assassins," and two in London) is that the audience would seem finally to have caught up with his leadership into the realms of edgy and uneasy music-theater at precisely the moment when he has passed to let them catch their breath.

His more recent "Into the Woods" is, in that sense, an industry by industry, and more accessible than "Sunday," which for all the current National expertise still has the jagged and unfinished quality of a musical which started out in one direction and finished up somewhere altogether different.

## China's 'Lost Generation,' Before the Crackdown

By K. Holden Platt  
Washington Post Service

**W**ASHINGTON — The film "Black Snow," shot last year in China's capital and now being shown in the West, is in many ways a play within a play, a metaphor for the larger drama that was played out on the streets of Beijing last spring.

"Black Snow" centers on a young Chinese punk's release from prison and his attempt to remake his life. Li Huiquan, played by Jiang Wen, one of China's best young actors, searches for a new identity, meaning and friendship in the back streets and nightclubs of a reforming Beijing.

But each alleyway Li takes in this

social labyrinth is blocked by walls of ostracism because of his past, or exploitation due to his innocence.

The denouement of "Black Snow," which began shooting last March, early presaged the fate of the lost generation. Li's quest for meaning in the ancient streets of the modern capital, his efforts to re-create his life, are futile.

Trying to relieve his desperation, Li takes a final journey down the Avenue of Eternal Peace in search of action and change. But he finds only the past, the thrust of a knife and the silent emptiness of a dark square.

"Li represents a lost generation of young people who rebel against the ideals of their forefathers and the traditions of their country," says Xie Fei, the film's director. "The tragedy

is that they are at a loss where to go or what to believe in."

Xie, who won a Silver Bear award for the film at this year's Berlin festival, explained, "Everyone in China now wants to find a new ideal, a new belief, because the Cultural Revolution destroyed our old beliefs and our old society."

Mao launched the chaotic Cultural Revolution in 1966, directing young, fanatic bands of Red Guards to prepare the way for a pure communist culture by forcibly wiping out China's cultural, moral and religious past.

Xie, 47, became a Red Guard after graduating from the prestigious Beijing film academy in 1965. For two years he traveled to major Chinese film studios, ordering workers to stop production and

join the revolution. But the revolutionary idealism of the era was gradually replaced by disillusionment.

"We realized, after it was too late, that we had been deceived — we had destroyed our past, our values, our lives, but had created nothing," said Xie.

Mao's death in 1976 marked the end of the Cultural Revolution and the opening of a great debate within the party and among intellectuals over China's cultural heritage, its world outlook and the future of Chinese socialism.

Disaffected youth, many of whom had been banished to the Chinese hinterland on Mao's order, led calls for freedom of expression and political reform in 1979's Democracy Wall movement.

The party arrested leading de-

mocracy activists, but loosened some economic and social controls. This policy of limited liberalization unleashed a small-scale Chinese renaissance.

The Beijing film academy, China's only film school, reopened and began training new students who, for the first time, could view works by the new European directors.

"China's doors finally opened to 30 years of filmmaking from the West," said Xie.

**T**HE first class to graduate after the Cultural Revolution, in 1982, included most of the directors who would become China's "fifth generation," or new wave, filmmakers.

The state still controlled distribution and exhibition, but experimented with permitting directors to choose their own scripts, actors and studios.

Pioneering filmmakers earned international recognition, and often official censure, by exploring traditional and collectivist Chinese culture, and its backwardness and poverty. "River Elegy," a six-part television series broadcast in 1988, brought the ongoing debate over the nation's past and future to the Chinese masses.

The series depicted China as a stagnant, decaying civilization, isolated in space and time by great

walls of xenophobia and fear of change.

Its writers, who were said to have been protected by former party head Zhao Ziyang, argued that only through exposure to new ways of thinking and new cultures could China regenerate itself. Party conservatives attacked "River Elegy" for portraying China in a negative light, and later banned it.

But some filmmakers continued to expose the dark side of Chinese society, switching their focus from China's feudal, agricultural origins to its contemporary urban culture. Films like Huang Jianxin's "Samana" and later Xie's "Black Snow" traced the alienation of Chinese youth from a society increasingly devoid of heroes or goals.

"You can see these young people in cities all over the world," said Xie. "If a nation loses its ideals, it loses its future."

Widespread frustration with China's rigid, homogenous culture, which finally released, impelled millions of Chinese to take to the streets last year in protest.

Aging party leaders, who labeled the demonstrations an attempt to overthrow China's socialist system, responded first with bullets and then with measures to reassert absolute party control over life, thought, information and art.



Maria Friedman in "Sunday in the Park."

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As internal barriers dissolve inside the EC and tempting commercial question marks spring up to the east, the costs of bringing a new generation of products to the world's computer and software markets are placing the most significant projects beyond the reach of the continent's "national champions."

Europe accounts for 30 percent of world IT market

Information technology already pervades all sectors of business, and its importance is increasing. "It is predicted that by the year 2000, 80 percent of the GNP of the advanced countries will depend on the exchange and processing of information," comments the European Information Technology Industry Roundtable (a lobbying body made up of the 12 leading European IT companies) in a document submitted last year to the EC Commission.

"Three big developments are changing the nature and role of information technology," says Joël de Rosnay, development director with the Paris-based Cité des Sciences et de l'Industrie, France's major scientific showplace. "The first of these is the emerging ability to integrate sound, text and pictures in a practical and economic way, and to communicate the results globally. To this may be added the development of powerful computer networks and the possibility of using portable computers to hook into data banks anywhere in the world," Mr. de Rosnay concludes. The development of international

telecommunications links through optical fiber cables is beginning to provide the broader capacity necessary to exploit these new developments fully. Two such cables now run between the United States and Western Europe, with a further link between the United States and Japan. Such lines can carry tens of thousands of calls simultaneously and can cope with video signals as well as computer transmissions. Additional cables are currently being laid between the fastest growing economies in Southeast Asia, and a Europe-Asia link looks possible.

Moreover, the introduction of optical fiber capacity is encouraging providers of satellite transmission links — by now a mature industry — to offer new services more quickly. At the same time, moves toward greater deregulation of telecommunications services, which are characteristically government controlled or dominated by a single national carrier, hold out hope of price reductions and more user choice. EC authorities recently agreed on rules allowing more competition in value-added transmission services, and the subject is also being discussed in the current round of GATT trade talks.

Suppliers planning to exploit the latest technologies are having to invest massively in research and systems development. Consider the tiny memory chip on which computing power is based. Semiconductor factories across the world are only now beginning to switch production from one-megabit (Mbit) to 4-Mbit chips. Yet already companies are scrambling to develop enormously powerful 64-Mbit chips and to bring them to market by the mid-1990s at an estimated cost of around \$5 billion per company.

So far the field is dominated by Japanese firms, which account for



West German Chancellor Helmut Kohl pushes the button to start Europe's first production line for 4-megabit chips. Can 64-megabit chips be far behind?

some 70 to 80 percent of world production. Companies are looking for allies to help share the costs and improve their market positions; IBM and Siemens agreed in January to jointly develop 64-Mbit chips.

According to some observers, the deal could prove a forerunner to greater cooperation between the United States and Europe, aimed in part at reducing the lead gained by Japan. Hubert Curien, France's minister of science and technology, has recently been discussing technological links with the United States. At the same time, EC-sponsored programs such as JESSI and ESPRIMO aim at promoting joint ventures between European companies involved in this sector.

Europe currently represents nearly 30 percent of the world IT market but only 24 percent of world production and is the target of both American and Japanese manufacturers. "The U.S. leads in computer software and services and in some areas of industrial

automation," comments the European Information Technology Industry Roundtable in its EC briefing paper. "Japan leads in components, consumer electronics and some office products, while Europe is third except in telecommunications (first) and software and services and professional electronics (second)," the report adds.

Against this background, European producers are keen for the EC to adopt an external trade policy for the IT sector; they argue that this would not be essentially protectionist in nature but could foster "fair" competition. Others believe market forces are likely to be more important than regulations. "It is a generally held view that there are still too many hardware players around in Europe and that further concentration is on the way," comments Richard Price, who is a London partner in Peat Marwick, an interna-

Interview / Vittorio Cassoni, Managing Director, Olivetti

### Shakeout Predicted as Margins Are Squeezed

Vittorio Cassoni, managing director of Italy's Olivetti, Western Europe's second-largest computer/data processing group after Siemens of West Germany, outlined his views on the challenges facing Europe's information technology industries in an interview with Axel Krause, corporate editor of the International Herald Tribune. Following are excerpts from the interview.

What is the current outlook for the information technology industry in the United States and Western Europe?

Europe has more inertia than the United States. We do not have the peaks of growth, but we also do not have the valleys. In 1989 the market was pretty sluggish in the U.S., but I would say the demand was fairly good in Europe. And the growth of the European market has sustained many U.S. companies. This generally applies to all product lines.

What about personal computers?

For 1990, we forecast growth in Europe of between 17 and 23 percent over 1989, which compares to 25 to 30 percent growth last year and is certainly superior by far to the growth that will be registered in the United States.

Aren't margins being forced down?

Yes, but one has to be careful. Prices of personal computers have come down, but that is not the main reason for the squeeze on margins. It is the change in mix, because the share of revenue from PCs versus the rest has increased dramatically. But the margins here are lower than in minicomputers.

Analysts say 1989 was a terrible year for Olivetti.

I consider it was a terrible year for the industry, perhaps the worst since its inception for profits and revenue. We at Olivetti had less growth than we had anticipated, but we grew faster

than the average of the first 18 companies in the U.S. and definitely faster than any European company.

1992 was supposed to provide European information technology industries with new growth opportunities. What effect has it had on the industry and on Olivetti?

Concrete effects? None. We have been living with free movement of goods in our non-regulated business for quite some while. Telecommunications is in another category.

What about indirect effects?

The Europe 1992 process is certainly informing a lot of planning activities within companies, creating greater consciousness of the weaknesses of the European industrial system as it relates to our industry. There is now a lot more willingness among IT companies to work together on specific items, such as R&D and exchange of products. And the 1992 process is stimulating new and different kinds of demand for IT products.

You mean R&D projects, like ESPRIMO?

Yes, but there are other forms of cooperation. These include ways of working together outside the umbrella of the EC. The Information Technology Roundtable, for example, it was put together so we, the IT industry, could not only present our needs to the commission, but also cooperate more among ourselves.

What kind of subjects do you discuss?

Sometimes joint R&D, but we also ask questions, like what are you good at? What am I good at? Why don't we find a way to cooperate? That type of discussion certainly has been intensified by the consciousness of the 1992 process.

What is your reaction to the latest

Continued on Page 12

Continued on Page 10

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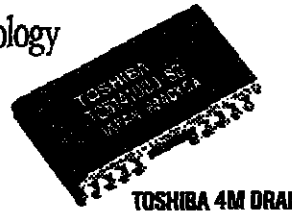


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## Directives / Coping With Competition

## No Uniformity in Europe's Software Copyright Laws

The EC quickly discovered that its first foray into the legislative minefield of information technology has uncovered fierce opposition from the very industry it is trying to protect.

The EC wants to bring copyright protection for software up to at least the same standards as that granted for books, films and industrial designs. Protection is essential for the continuation of fruitful indigenous R&D and to offset the financial risks of developing new programs. The commission's proposal, which must now be adopted by a weighted majority of EC ministers, says that "the impor-

## IT to receive most of EC's research funds to 1994

tance [of the computer industry] in the economy of the community cannot be overemphasized."

France, West Germany and the United Kingdom already have national laws protecting the use of computer programs, as do the United States, Japan, Singapore, South Korea, Australia and parts of Latin America. Draft laws are currently under discussion in Italy, Denmark and the Netherlands. But the commission stresses that differences in national intellectual property rights should not perpetuate or create trade barriers.

Major differences in legal protection include the life of a copyright, which ranges from 25 to 70 years from the death of the author. Moreover, legal case history, although limited, has revealed variations in the interpretation of national legislation by the courts. Within the EC, different definitions of "originality" lead to significant differences in legal protection.

The directive's most controversial elements are reverse engineering and the protection of interfaces. Big computer manufacturers, led by IBM and DEC, want to guarantee maximum copyright protection and oppose the principle of reverse engineering, which enables software users — and counterfeiters — to dismantle programs into their different elements.

The giants face European computer makers, including Amstrad, Apple, Olivetti and a European subsidiary of Japan's Fujitsu, who are adamant that interfaces are ideas, not products, and should not be granted copyright protection under the directive. Reverse engineering is a legitimate way of understanding how a computer program works, they say.

The commission's proposal states that "these steps, the algorithms, from which the program is built up, should

not be protected... against unauthorized reproduction. They are the equivalent of the words by which the poet or the novelist creates his work of literature."

The proposal insists that copyright is the best available form of protection. Patents can play only a limited role, and contracts, although valuable where software marketed is subject to license, are plagued by the unequal balance of power between program producers and users, which may make it difficult, in some cases, to agree on fair contract terms. Contracts are also difficult to enforce in the case of basic or low-maintenance programs where pirating for private use is rife. The copyrighting of computer programs follows international trends and will not hinder small producers or block technical progress.



Sir Leon Brittan, Competition Commissioner for the EC.

The commission says that "copyright protects only the expression, but not the underlying idea of a work."

Addressing a Forum Europe seminar on high technology in Brussels last year, Competition Commissioner Sir Leon Brittan warned that "falling behind in this field would be fatal, given the rapid changes taking place and the increasingly important part which information technology and telecommunications are playing in every sector of the economy."

Sir Leon also said that "the commission recognizes that European companies do not have sufficient resources to fund the level of R&D needed to keep up with the U.S. and Japan. The public funding of R&D has therefore traditionally been viewed favorably as one of the areas where exceptions can be made to the generally strict approach to state aids."

The commission thus issued guidelines on support for R&D to help gov-

ernments and companies to plan their aid programs in a way that does not unfairly distort competition. Aid may be granted to cover up to 50 percent of total project costs for basic research, less for applied R&D. Higher levels of aid are approved on a case-by-case basis for projects of special economic importance or in the EC's least-developed regions.

Information technology also benefits directly from a number of EC collaborative research projects, including the ESPRIT program on cross-border cooperation in information technology R&D, which has just begun its second phase. ESPRIT I, with a budget of ECU 1.5 billion (\$1.8 billion), spawned more than 200 projects. Other initiatives include RACE (communication technologies), a five-year program running until 1991 that brings together private enterprise, universities and national postal services to help create a common market in telecommunications services and equipment, and STAR, which promotes innovation and technology transfer to promote regional development.

Information and communication technologies will receive the lion's share of the EC's next five-year research framework program (1990-1994), worth a total of ECU 5.7 billion. The parliament is fighting to have the budget restored to the ECU 7.7 billion originally proposed by the commission. EC research ministers, meeting last December, shaved almost one quarter off the recommended budget amid promises that the program's financing could be reviewed in 1992. Commission officials, however, are worried that the decision, which still needs to be rubber-stamped by ministers, could cause financial disruption, undermining both existing and new research programs.

Although not responsible for coordinating national or community research policy, the EC's own technical standard-setting bodies — CEN (standardization) and CENELEC (electrotechnical standardization) — play a vital role in laying the groundwork for compatible information technology systems and common standards. The so-called "new approach" to technical standardization, operative since 1987, replaces the laborious and detailed product-by-product approach with a series of broad-based minimum requirements for a number of products and industries.

The U.S. has won a larger consultative role with the EC, although Trade Representative Carla Hills failed to win a seat for the U.S. on the boards of either CEN or CENELEC. Nonetheless, the United States and EC have pooled their resources in promoting a joint standard for high-definition television in the face of stiff competition from the Japanese — one sign of the potential for increased U.S.-EC cooperation concerning information technology in the future.

Lucy Walker

## Interview / Vittorio Cassoni, Managing Director, Olivetti

## Shakeout Predicted

Continued from Page 9

EC Council decision to allow more open EC-wide public procurement in telecommunications, energy and water industries?

I am for free, non-protected markets. But it definitely has to be reciprocal. And here the competition is not only among individual companies, but also among industrial, economic systems. That is, competition between Europe and the United States and between Europe and Japan. Public procurement is a very powerful tool as a way for governments to develop their local industry. All of the national companies have had a privileged relationship with their domestic market and that probably should cease to exist if we are serious about Europe 1992.

How does this relate to the U.S. and Japan?

In the U.S. we still have a Buy American act. In Europe we do not even have a definition of what a European company is. We have to watch these developments carefully, because those of us who have tried to sell to governments or public authorities in other countries know how difficult it is.

Are you worried about growing Japanese investments in Europe?

Yes. What are we doing about it? We have two joint ventures in Italy, with Canon, to develop and produce copying machines, and with Sanyo Mitsui, to develop and produce facsimile machines.

Are markets going to open more in the EC?

Yes, definitely, through the EC directives and the force of Brussels. Business itself also will cause much of it to happen. It is becoming clear to everybody that no single country market is sufficient to justify the investments that are necessary to keep technology up to date. This partly explains why traditional EC markets will have to open.

Do you see a shakeout coming among the top companies in the European IT industry?

Yes, because if there is going to be a free market — and without a free market Europe will not survive — you will witness the same phenomenon as we had in the U.S. Ten years ago, we had what we called The Bunch — NCR, Control Data, Honeywell, Burroughs, Univac — opposed to IBM. With one exception, NCR, the others either disappeared or have merged. The origins of many European companies are very similar to The Bunch, by virtue of proprietary systems and mainframe backgrounds. Why should Europe be any different from the United States?

What role do you see for the European IT industry in Eastern Europe?

There are three aggregates. One is East Germany, and now that unification of Germany is becoming a fact, what we have learned in dealing with West Germany will now apply in East Germany. Then there are Hungary and Czechoslovakia — which represent the most immediate opportunities — and Russia, which is a third category. Initially, there will be a ten-



Vittorio Cassoni, Managing Director, Olivetti.

dency to build manufacturing facilities there. But very soon we will realize it is untenable.

Why?

Our industry today has overcapacity throughout the world. And software, professional services, will become a much more important element than plants. Today, to build 100,000 PCs you probably need 60-70 people.

Will West Germany have the competitive edge over everyone else in developing business in East Germany?

I think East Germany will be as open to others as West Germany is.

Would you consider building a plant there?

I cannot answer that question. It is a matter of economic justification. But, as I have said already, our industry by and large cannot afford more plants, and I believe much more in people, as opposed to plant, investment. Know-how, the application of technology, is what matters. Times have changed.

## Competitiveness / Investing in Technology

## EC Lags Behind in Battle For Larger Market Shares

There was a time when the phantom of a "fortress Europe" haunted the executive offices of every major non-European high-tech company, sending marketing directors into wild cogitations about how to wrench open the fortress or cross the moat before the gate was lifted.

Now the question seems moot. Foreign companies have carved out a lion's share of the European information technology pie, gaining supremacy in hardware, software and services, establishing subsidiaries, sales offices, production plants and research and development labs all over the member countries and beyond.

They have proved that despite efforts to gain a technological edge, European companies still have a long way to go before they can catch up with heavyweights like NEC, Hitachi, Motorola, Fujitsu, Texas Instruments, Mitsubishi and Intel, who currently rule the European market. "All of our competitors are Japanese or American," says Toshiba Information Systems' European Corporate Communications Director Franz Spauhorst.

There are, however, some European informa-



Pasquale Pistorio, President and Chief Executive Officer, SGS-Thomson.

tion technology companies that are doing very well on the world scene. France's state-owned Groups Bull, for example, had 1989 revenues of 32.7 billion francs (\$5.6 billion), of which 62.6 percent were earned outside France, including 35 percent in the U.S. Bull now ranks as the world's eighth computer — and second laptop — manufacturer.

Bull's nose-to-nose European competitor, Germany's Siemens Data and Information Systems (DIS), reported a 1989 turnover of DM 5.4 billion, (\$3.2 billion), of which 70 percent was domestic and about 20 percent European. Like Bull, the German company aggressively courts acquisitions and joint ventures. "Wherever

we see that someone has helpful solutions or additional experience or knowledge," says press officer Jan Buchman, "we do not hesitate to cooperate."

Siemens also invests heavily in R&D, targeting DM 60 billion between 1985-90 for this purpose. Siemens DIS spends 15 percent of its annual turnover on R&D, mainly on data systems.

European technological self-sufficiency is far in the future. Gaps in advanced components such as microprocessors, high-capacity memories, hard disk drives and screen displays have driven European companies to Japanese or American suppliers.

"We build our systems based on our own architecture," says Michel Nico of Bull, "but we have companies like Intel, Motorola and Texas Instruments produce certain advanced components."

Italy's Olivetti Group also purchases components principally from the Far East and the United States, and operates 46 production plants worldwide. Why the scattering? Because it makes economic and geographic sense, says Olivetti Systems and Networks Managing Director Gian Luca Braggiotti. But now, with the lowering of customs barriers in the EC, "we can centralize warehouses at a European level," he explains, "using specialized resources in one country to support processes in others."

The Organization for Economic Cooperation and Development (OECD) data for European world trade (excluding intra-EC trade) in computers, office equipment and electronic components show a worrisome decline in European competitiveness, with a weak increase in European exports from 1982 to 1987 (from US\$12.2 million to US\$24.7 million) countered by a significant increase in imports (from US\$19.1 million to US\$42.7 million).

Why this lagging behind the United States and Japan? According to Michel Wendell, European marketing director of U.S.-based Mentor Graphics, Europe holds the lead in niche products like hybrid circuits and Digital Signal Processing, but "they are seldom big or recognized enough for somebody to make a business out of them."

There are lots of good ideas and technology in research centers and universities here," he adds, "but European companies don't have the same drive and spirit to go out and market their products."

That is not always the case. SGS-Thomson, the French-Italian semiconductor manufacturer, has had a growth rate of 20 percent, "five times the market it serves and the third-highest growth rate in the world," says President and CEO Pasquale Pistorio. While 58 percent of the company's 1989 sales were

European, 25 percent were from the Americas, 15 percent from the Asia/Pacific region — and 2 percent from Japan. "European companies need to enlarge their portfolio of strategic alliances," he stresses. "Even Japan must be attacked and penetrated."

While they may not have actually invaded Japan, two European software consultancies — France's Cap Gemini Societ and Britain's ICL Network Applications — have successfully tackled the world market, reporting 1989 revenues of 7 billion francs and 1988 revenues of £1.3 billion (\$1,807 million) respectively.

The world's top non-European company for software services, Cap Gemini derived 50 percent of its sales from foreign business. "We expect to maintain our annual 25 percent growth rate over the next five or ten years," says spokesperson Catherine Thomlin.

Foreign companies in the EC would love to renew their capacities alongside Europeans by participating in tantalizing EC-sponsored research programs like JESSI (Joint European Semiconductor Silicon) and ESPRIT (European Strategic Program for Research and Development in Information Technology).

"The EC would benefit from a slightly more flexible and open-minded attitude toward foreign technology," says Mr. Wendell. "By limiting its programs so tightly to only fully European institutions, it can never really gain access to all the available commercialized technology."

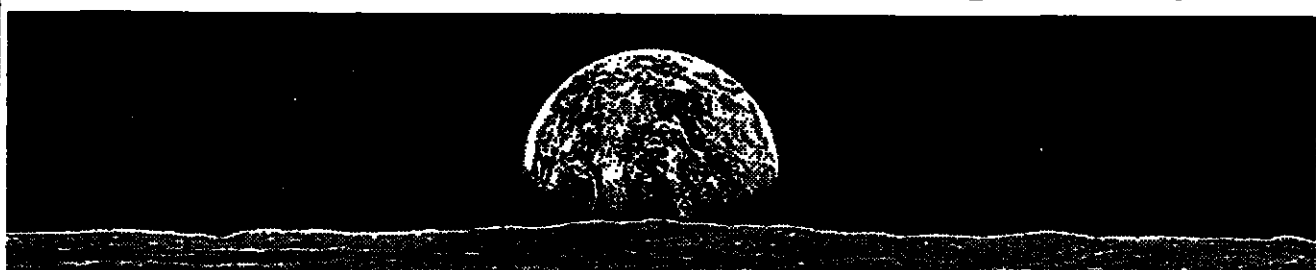
A European identity is a precious commodity for today's high-technology companies, who staunchly deny any national allegiance. "We have been organized as a pan-European company for a very long time," says Monica Welsch of IBM Europe. With R&D centers, support facilities, 11 manufacturing plants and over 100,000 employees in Europe, IBM weighs in heavily on the EC scene.

So does Toshiba Information Systems. "We are astonished by the anti-Japanese sentiment prevalent in the United States and Europe," says Mr. Spauhorst. "We have become a pan-European company, with a European staff comprising eight nationalities and only 38 Japanese." Toshiba's achievements in Europe (300,000 laptops and 500,000 copiers sold, subsidiaries and distributors in 14 countries, a copier manufacturing plant in France and a laptop plant in Germany beginning April 26) are indications of Japanese companies' dominion in certain technological markets.

Will European companies be able to survive in this chip-eats-chip environment? New European and EC patent and copyright laws, which will guarantee their holders exclusive EC rights, combined with the opening up of public procurement, the harmonization of product standards and the breakdown of customs barriers, should both hinder and help competitors as they fight for market share.

Romy Joyce

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Alliances / Cooperation for Survival

## German Computer Firms: Uncertain Allies for the 90s

Will the operating principle of the German computer market in the 1990s be cooperation or competition? According to two recent headlines in Munich's Computerwoche trade weekly, the trend seems to be toward cooperation for survival: "IBM and Siemens to Work Together in Producing 64 MB Chip" and "IBM and Siemens/Nixdorf: The Latest Challenger to Big Blue."

Germany now accounts for 23 percent of Western Europe's \$135 billion computer market, with stagnating rates of growth for mainframes and minicomputers, and only a 25 percent increase in software sales volume and software-driven technologies keeping it from entering a slump.

### IBM earned \$7.3 billion in German sales for 1989

Analysts like Dr. Michael Klein, editor of PC Welt, point out that one cause for difficulties was the German market's initial reluctance to accept PCs, LANs and work stations — all sales successes. Also, Dr. Klein says,

IBM, increasingly dependent upon foreign markets for its profits and turnover growth, earned DM 12.4 billion (US \$7.3 billion) in sales in Germany last year (counting company-internal exports to other IBM subsidiaries), an increase of 9 percent over 1988. IBM holds between 22 and 27 percent of the total German market for computer products and services.

Siemens, a reawakened electronics giant that reported a DM 61 billion turnover in 1989, the second-largest in Germany, is planning to expand its computer-sector activities, worth DM 5.4 billion, in 1989.

Heinz Nixdorf's company — cited in the past as an example of how a computer empire worth billions could be built up in Germany from modest beginnings — developed serious operational problems that are now seen to have been linked to the company's lack of awareness of the PC market's potential, along with an insistence on using only company-owned operation systems and on hiring new personnel to sell out-of-date hardware during the recent worldwide recession in the computer industry.

er decision-making) that it needs to make it a serious competitor to IBM throughout Europe.

Starting with their joint venture to develop Rolm, a company whose activities are shared by IBM and Siemens, to January's agreement between the two companies to jointly develop and produce 64 million bit DRAM chips in a DM billion deal for the world market, these nominal rivals are becoming increasingly interrelated. IBM Europe will participate in JESSI (Joint European Submicron Silicon Initiative) as part of what trade sources report to be an IBM-initiated quid-pro-quo that will allow European electronics companies with American subsidiaries (such as Siemens and Philips) to be part of Sematech (Semiconductor Manufacturer Technology Organizations). Both Sematech and JESSI had been set up to be national/confidential technology cartels capable of providing their home markets with the products of the 1990s and thus saving them from domination by Japanese and American/European invaders.

However paradoxical the situation between Siemens and IBM may seem, five years from now competition of any kind — national, sectoral or corporate — may not even be an issue. Siemens has also concluded an impressive number of joint ventures with Japanese companies, while IBM and Softlab, one of Germany's leading software houses, have agreed to work together.

Other erstwhile competitors (IBM, Apple, DEC and Siemens) have joined forces in SAGE (Software Action Group for Europe), one of two groups embroiled in an interface copyright dispute.

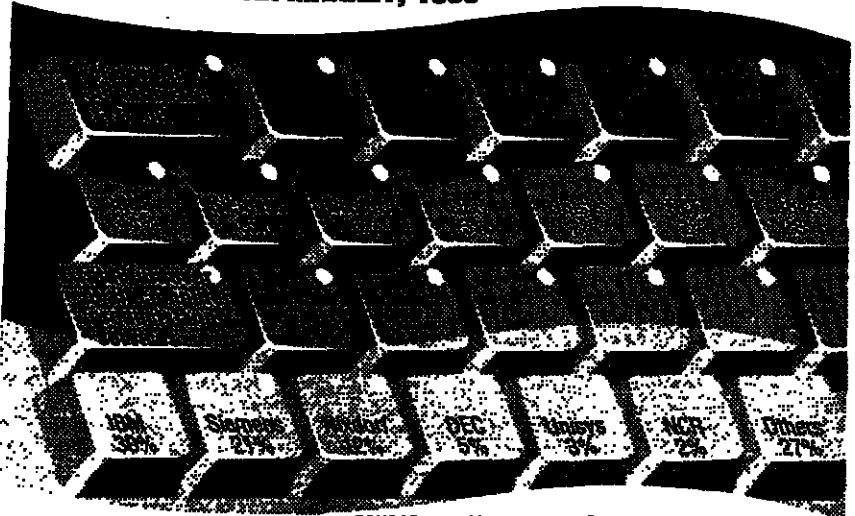
In spite of these corporate linkups, some observers point to an increase in competition. One computer dealer describes the German computer industry as "a market full of hungry companies, each with a plan," citing Olivetti's new, successful endorsement of the interchangeable operating platforms systems, the arrival of Dell (no frills, well-designed products sold over the telephone) in Germany, Commodore's expansion out of PCs into LANs and minicomputers and the expanding Compaq story.

"Despite IBM, Siemens and DEC, it is a market for niche players flexible enough to address individual market sectors, no matter how small," Dr. Klein believes.

Whether the arrangement between Siemens and IBM ends in more cooperation or competition, one thing is certain. The days of the middle-of-the-road, undifferentiated computer company that could rely on customer loyalty are over in Germany, meaning that the Nixdorf effect may soon be taking its toll on a number of others in the field, including the Mannesmann group's Mannesmann Kienzie subsidiary.

Terry Swartzberg

### LEADERS IN GERMAN MARKET, 1989



SOURCE: Diebold Management Report, IDC Market Perspectives

the German market has traditionally relied on "products made by firms businessmen knew and trusted," such as IBM, Siemens and Nixdorf. "In spite of other firms' advances, such as Compaq's pioneering of the high-performance PC."

Whatever the reasons for current difficulties, various corporations — in spite of major differences in orientation and balance sheets — are now pooling their computer-related resources.

The result was last January's sale of Nixdorf (which reported DM 1 billion in losses in 1989) to Siemens, which is now busy amalgamating its Data and Information Systems with Nixdorf in its new Siemens-Nixdorf Informationssysteme AG. On paper, this is a perfect marriage — though it involves some areas of competition in medium-scale items — since the new company has both the range of products and depth of sales and service support (increasingly a key factor in consum-

Eastern Europe / Investment Potential

## East/West Technology Transfer Faces Obstacles

The West's information technology sector is positioning itself to reap billions as East European nations move to modernize their economies and satisfy pent-up consumer demands.

Nevertheless, despite what one manager calls "the gut feeling that we have a moral responsibility to these nations," Western firms are wary of pumping in huge sums or entering into joint ventures too quickly.

In addition, they face a startling array of obstacles, above all a scarcity of hard currency, an undeveloped infra-

structure and trade restrictions imposed by the Paris-based Coordinating Committee for Multilateral Export Controls (Cocom).

"There is no stampede or feeling of euphoria. For a dramatic increase in business, we're talking about a span of 10 to 20 and not 2 to 3 years," says Lorenz Fritz, chairman of Alcatel Austria, which oversees the group's office communications in Eastern Europe.

Analysts caution that economic reforms in Eastern Europe have not kept pace with political changes. "We're doing a lot more negotiating these days, but so far there has not been a corresponding boom in business," says a spokesman for IBM.

The potential is enormous. A recent Morgan Stanley study, "Perestroika and Eastern Europe: The New Revolution," predicts information technology will be a top growth field in the region. Major investments in the East will include installing modern telecommunications networks, computer systems and equipment to improve efficiency in industry and the use of local resources and to increase administrative and financial productivity.

A company like Philips also sees a special niche. "For the [Eastern European] population, individual household and entertainment products are a top priority. If people have any hard currency at all, they will use it for these purchases," says Gerhard Fischer, head of Ostimpex, the Vienna-based subsidiary of Philips that oversees the concern's business in Hungary and Czechoslovakia. Philips "is making a more aggressive push in the region," according to Mr. Fischer.

With hundreds of billions of dollars in contracts at stake, firms are more or less pressed to act quickly to stay ahead of the competition. "In the next year or two, Eastern Europe will be choosing its partners. That means we

have to move in and show our flag now," says Alcatel's Mr. Fritz. Johann Edelhofer, marketing director of Digital Equipment Corporation's Austrian arm, which used to earn half its revenues from Eastern Europe before the Soviet invasion of Afghanistan and the ensuing 1980 embargo, says his firm has "active expansion plans" in the region.

Ettori Moretti, chairman of Olivetti Technologies Group in Ivrea, Italy, one of the concern's four divisions, says: "The rapid pace of developments has forced us to reevaluate our strategy. We have got to establish an effective presence in the region."

IBM, with a solid presence in Eastern Europe, including a 100-percent subsidiary in Hungary since 1936, has already posted 20 percent growth rates in its business to the region in recent years, and intends to "make every effort to defend its market share," says a company spokesman.

Western firms eager to sell their state-of-the-art equipment argue that technological advances, the difficulty in controlling exports and political re-

forms should lead Cocom finally to relax its restrictions on high-tech exports to the East. "We can't help the democratization process by putting up barriers," says Walter Wolfberger, chairman of Siemens AG Austria.

For DEC's Mr. Edelhofer, the licenses granted to his firm's VAX series "is the beginning of a change of heart, but the liberalization has to go farther." The new guidelines expected at Cocom's February conference founded on policy disagreement toward the Soviet Union. The organization will deal with the issue again at its next meeting this spring.

Computer manufacturers in particular have been hard hit. "There will be a boom in smaller computer models. For more powerful ones, we're still in an Ice Age," says Gerhard Paulus, managing director of Control Data's Austrian arm, adding: "A change in Cocom rules will at least eliminate one key obstacle. We're ready to go ahead and fully commit our resources in Eastern Europe."

The company's recent \$32 million order to supply six mainframe computers to help the Soviet Union design safer nuclear reactors five times more powerful than allowed under existing regulations is seen as a test case for policies of the Bush administration.

For the time being, however, there are more projects on the drawing board than exist in reality.

Clifford Stevens

### CeBIT '90 / "Business USA" Theme

## World Computer Industry A Software-Driven Market

The two dominant trends in the world computer industry — international alliance-building and the growth of software manufacturers — are very much in evidence at this year's CeBIT at Hanover Fair's trade grounds from March 21-23.

Of the more than 3,600 exhibitors from 41 countries occupying 18 halls, more than 900 are active in the area of providing software programs, consulting services and what the industry likes to call "solutions" — the matching of need with equipment and software. They thus form the largest of the 16 product groupings. The rapid growth of this sector at Hanover and that of foreign participation (up by more than 200 exhibitors and approaching 40 percent for the fair as a whole) is largely responsible for the 10 percent increase in exhibitors.

"Business USA" is both the trade fair's official focus this year and the title of one of its many forums. This recognition of the international dimensions of the trade fair is particularly apt, with some 100,000 foreign visitors among the more than half

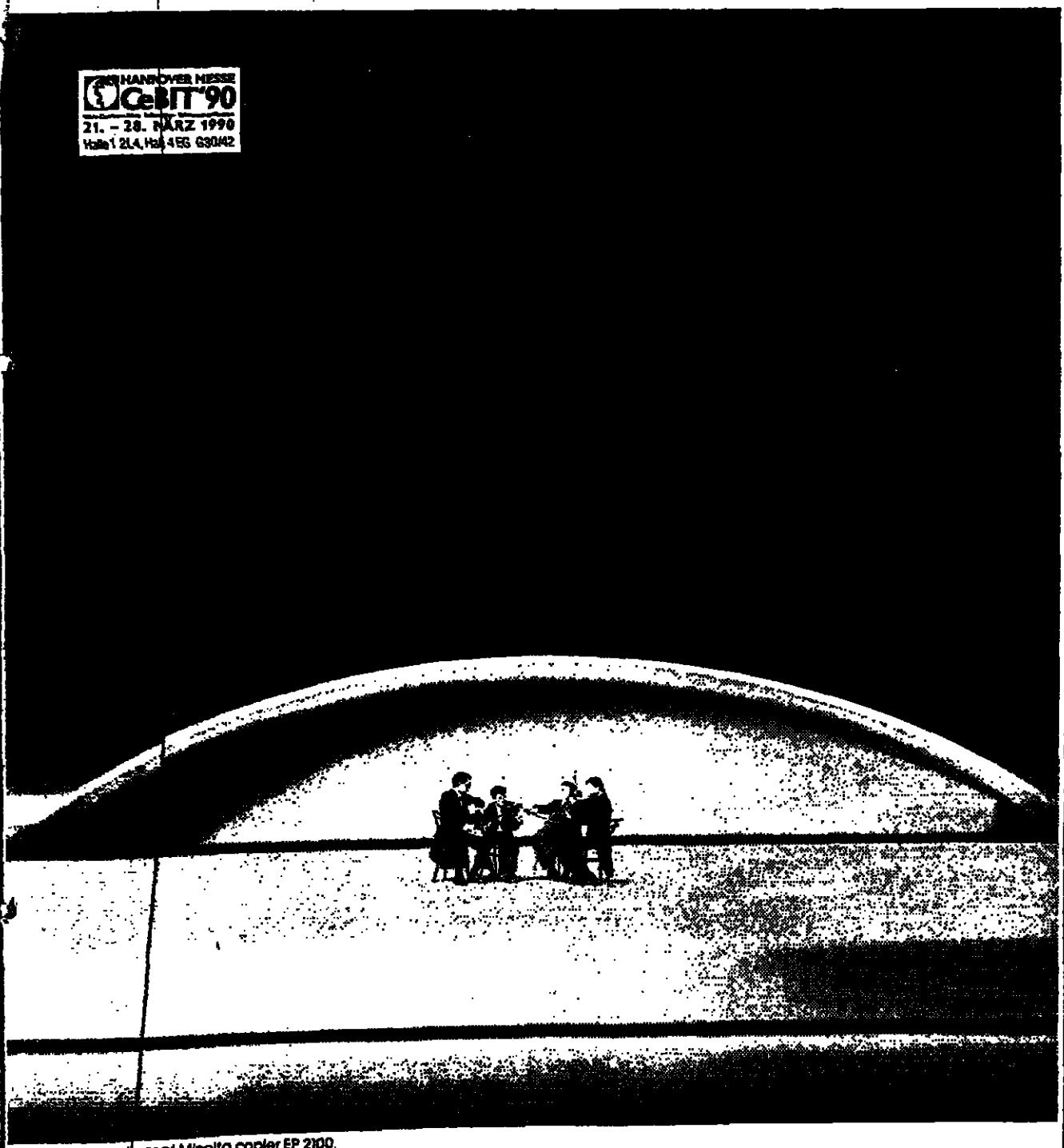
a million people expected to attend.

A center of fair interest will no doubt be the Software Center for Medium-Sized Companies. Some 200 software houses, many of them small and highly specialized, have joined forces to showcase new CASE (computer-aided software engineering) tools, UNIX conversion programs for data bases, office integration plans and many other products. New products are shown at the 20 or 30 daily company presentations of such items as IBM's "Vadis," an information system supporting sales and distribution staff, Bull's "Environment Information Systems for Public Administrative Authorities" and PCS's "mid-X," a UNIX-based medical information and documentation system.

For further information and catalogues, there is an electronic visitor information system on the fairgrounds which is on-line via telex (in Germany: Btx 30143 #). Tel.: (+49-511) 89 0. Fax: (+49-511) 89 32630. The catalogue costs DM 28 and is available on an MS-DOS compact disk. T.S.

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Europe currently represents only 24 percent of world production in information technology and is the target of manufacturers from abroad.

## Information Technology / Market Outlook

### High Stakes for Few Players

Continued from Page 9

tional consulting and accountancy firm.

"On the other hand, we are already seeing more activity on mergers/acquisitions and strategic alliances in the software services sector. Largely this is because the need for action is very immediate in the latter case," adds Mr. Price, whose specialty is IT consultancy. "Firms positioning themselves for the single internal market are rethinking their information systems requirements on a pan-European basis and are calling for appropriate software solutions. This applies particularly to companies in manufac-

turing and distribution," he concludes.

Characteristic of the new mood — which comes some two years after mergers began sweeping the U.S. computer industry — are the recent moves by the German company Siemens to acquire Nixdorf Computer AG. Even though the combined outfit could expect IT revenues exceeding \$8 billion, it would still rank second to the European sales of IBM, which top \$20 billion. Overall, only about 20 percent of computer sales in Europe are made by European companies, and globally the market is stagnating.

In Europe, France's biggest computer firm — the state-owned Bull —

recently announced losses for last year of F267 million (US\$45 million) after three successive years of profit. In the United States the boom in sales of personal computers appears to be ending, partly because many corporations have now bought as many as they need and partly because corporate investment is being cut. Over recent years corporate customers have insisted on compatibility between different makes, and this has tended to reduce profit margins.

Finally, it may be advances in technology that bring about some of the most significant changes in the way the industry operates. One example is the development of software based on the principles of artificial intelligence. "Whereas in the past the most important qualification for software specialists was detailed technical knowledge, today the biggest need is for people who can understand the customer's business requirements and design flexible systems to fit them," remarks

Christian Baum-Hauer of Paris-based technology consultants ARTTC.

This movement is supported by the arrival of advanced software tools such as the CASE system, which can instruct computers to write applications programs. The introduction of more powerful microcomputers — which are now posing a competitive challenge to the larger mini-computers — should also boost business adoption of more sophisticated packages.

"The borders between hardware and software are becoming increasingly blurred," Mr. Baum-Hauer says. "One significant example of this trend is the development of integrated circuits that act like miniature computers," he adds. Combined with downward pressures, this breaking down of barriers is encouraging hardware manufacturers to diversify more into services and may lead to radical changes in the whole structure of the information technology business.

Michael Rowe

## Briefs / IT Updates

### High-Technology Industries

• The EC Commission decided recently for the first time to extend anti-dumping measures on cut-price imports to a range of products not yet on sale in Europe, namely the new generation of Japanese 4 Mb DRAM (dynamic ran-

dom access memory) computer chips. Following lengthy negotiations, the EC accepted an undertaking from Japanese chip manufacturers to respect an (undisclosed) minimum price on exports to the EC. The agreement will include

4 Mb chips, except for early consignments that the EC will, over a period still to be agreed upon, allow to be sold at less than cost. Samples in quantities of up to 1,000 chips of a particular type from one producer to one client are also exempt.

The decision follows efforts to protect European industries from unfair competition. Consumers' organizations have complained that the decision will force up prices for technology-based equipment.

• The West German electronics concern Siemens hopes to increase its DM500-600 million (\$294-\$353 million) in annual revenues in Eastern Europe, a mere 1 percent of total

company sales. Last fall, Siemens concluded a joint venture in Hungary, DUNA-Kabel Kft, with Maygar Kabel Movel, the Hungarian trade firm Translektro and the Hungarian Post to construct a 1 billion forint factory to produce telecommunication cables for the Hungarian market by 1991. The agreement is designed not only as a step toward modernization but also a move to reduce cable im-

ports. In December, Siemens formed a joint venture with Electronic Works Wrocław in Poland to supply the Polish telephone system with 80,000 new telephone lines of the firm's EWSD system by 1991.

• Olivetti's biggest project in Eastern Europe to date is a \$163 million contract to supply numerical control devices for machine tools for a factory under construction in Lenin-

grad, which is slated to start producing 10,000 units annually by the end of 1991. The firm is "carefully studying a number of joint-venture projects" and also intends to replace sales agents with its own branch offices in Hungary, Czechoslovakia, Poland and Bulgaria.

• Digital Equipment Corporation's joint venture in Hungary, just agreed upon in February, will officially begin operations on April 2. The group's first venture in Eastern Europe, Digital Equipment Kft, with a start-up capital of \$2 million, aims to capture a tenth of Hungary's \$200 million annual computer market, contract the sale of illegal clones and help other Western companies enter the Hungarian market. The sale of computers will be supplemented by service, training and software packages. Digital's partners include software producer Szamalk and KFKI, the Central Research Institute of Physics of the Hungarian Academy of Sciences. Digital has a 51 percent stake, with an option for 100 percent. The company recently received a license to install a multimillion-dollar computer system in Budapest's Foreign Trade Bank.

• Control Data hopes Cocom will decide on its computer sale to the Soviet Union "by the end of this year." Within the next few months, the company is also awaiting a license from Cocom for a \$2.8 million computer order for oil exploration computers to help the Soviet Union exploit its huge oil reserves. Control Data confirms it could receive "a large number of follow-up orders" once permission is granted. The company hopes to end a 10-year freeze in business with the Russians.

• Hewlett Packard, with sales offices in Moscow, Prague, Bucharest and Budapest, posted a 58 percent rise in sales to Eastern Europe in 1989. On May 1, the company will transfer its East European operations from Geneva to Vienna.

• Philips will open up to 10 additional shops across Hungary following the success of its "Philips Shop" in Budapest and is negotiating to establish a production plant. The joint venture with the sales chain Skala Coop Rt, aimed at marketing the whole range of company products in Hungary, expects first year sales of AS500 million (\$42 million). The firm says it is limited by "the urgent need to develop an effective distribution and service network." Philips says its long-term goal is to raise its annual production from 100,000 to 500,000 video recorders from its facility in Bratislava, Czechoslovakia, a joint venture with Czech producer Avex AG.

• The new evolving international corporate strategy of Toshiba Corp. is focusing on three core areas — Japan, the U.S. and Western Europe — with what company executives in Tokyo describe as "close cooperation with local communities." The EC is a key target, although Toshiba executives recently interviewed in Tokyo said that they were skeptical that a single, deregulated market would fully emerge by December 31, 1992. "But we believe it will happen, probably later, because deregulation is moving forward, and we believe a deregulated EC market will mean more demand for our products," said Kazuo Ishiguro, who is in charge of Toshiba's international operations in the information and communication systems division. He cited joint development of standard IC with Siemens and General Electric and production of copiers with Rhône-Poulenc, France's largest chemical producer.

• Aerospatiale, France's state-controlled aerospace group, and Rhône-Poulenc have agreed to cooperate in developing new materials, particularly composites. The move will permit Rhône-Poulenc to increase market access in the aerospace field, notably through its expertise in ceramics, and provide Aerospatiale easier access to sophisticated materials in development of planes, missiles and satellites.

• A senior West German business official has urged French business leaders to actively pursue business development possibilities in East Germany, but expressed disappointment in their lack of interest so far. Philipp Graf von Walderdorff, in charge of European questions at the West German employers association, said during a visit to Paris in February that "we are very keen on having French companies take the lead — with us — because we want to demonstrate that there is a European dimension to the [East German] problem." But if France maintains its "disinterest," Mr. Walderdorff said, West Germany will push forward as a "lone-some cowboy."

• There was a notable exception to France's relative disinterest in the East: in February, Alcatel's West German subsidiary became the first country to obtain a contract to deliver digital exchanges to East Germany. The agreement calls for 4 containerized exchanges with 34,000 lines of its advanced System 12 technology. A spokesman says the deal has "more symbolic than financial importance in that it gives us a foothold in the market." Alcatel also recently concluded a deal (value undisclosed) for a System 12 phone switching system in Leningrad and a joint venture in the microwave transmission market in Hungary. The concern is pursuing negotiations with cooperative Híradástechnikai Szövetkezet of Budapest for its production of office communication equipment for local needs, and later for export. The firm hopes to capture up to one third of the market.

• Rudolf Stadermann, president of East Germany's association of small- and medium-sized firms, says West German companies should consider exploring deals with his members, representing some 20,000 firms. The average number of employees varies between 200 and 250. "We the East Germans ask only to work to produce, and we recognize we have a long way to go," says Mr. Stadermann, who manages a microelectronics company in Riesa, near Halle, in East Germany.

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The next installment in the 1992 series will appear on April 19 and will focus on telecommunications.



**MEDIA MARKETS**

**Disabled Welcome Film About One of Their Own**

By Bruce Horowitz  
Los Angeles Times Service

**L**OS ANGELES — Motion pictures that win Academy Awards always do well at the box office. And with the Oscar ceremony set for Monday, filmmakers are doing everything they can — from placing ads in trade papers to arranging special screenings — to promote their films.

But the awards are only one marketing ploy. An entirely different appeal is to the estimated 43 million Americans with physical disabilities to go see "My Left Foot." The film, nominated for five Oscars, dramatizes the story of the late Irish writer and painter Christy Brown, who had cerebral palsy.

Even if the film doesn't win the Academy Award for best picture, perhaps it is at least deserving of recognition for its innovative marketing techniques. A current marketing campaign for "My Left Foot" — featuring direct mail, follow-up phone calls and even lobbying in Washington — will likely be put into high gear after the Academy Awards. The unusual campaign not only appeals directly to people with disabilities, but it has even carefully sought advice from the community in its crafting.

"I hope this will be a model not only for distributors of motion pictures, but for all advertisers," said Paul K. Longmore, a Los Angeles historian and author, who is disabled. He was asked by Miramax Films to write a special review of the film from the perspective of a person with disabilities. His review, for which he was not paid — was mailed directly to more than 5,000 key organizations, publications and individuals.

"Miramax has their agenda," Mr. Longmore said. "They want people to pay to see the movie. But I want people to buy tickets for a different reason. I'm trying to promote civil rights for the disabled. People with disabilities should see Christy Brown as a role model."

It is one thing for McDonald's or Levi's to show disabled people in commercials. But it is something else to target the disabled just as some advertisers target blacks or people of Latin American descent. "Disabled people do have money," said Norma Vesco, executive director of the Independent Living Center of Southern California. "It's nice to see someone finally recognize that."

The question is, can a relatively low-budget but carefully targeted marketing campaign convince disabled people that this is the movie to see?

Miramax hopes so. Besides mailing the specially written film reviews to disabled organizations, Miramax also enclosed a one-page form that asked for opinions not only about the movie, but also about the marketing behind it.

"In the ideal world, it would be better if we weren't a group that had to be marketed to," said Tom Ritter, who is disabled and who produces TV documentaries on the disabled. "But we're not in an ideal world. We need to be viewed as a special interest group."

Miramax also hired Tami Susan Hartman, regarded as a leading expert in marketing to people with disabilities. Ms. Hartman, who owns Los Angeles-based En So Communications, was formerly executive director of the Media Access Office, a group that works to ensure accurate portrayals of people with disabilities in films and on television.

"The disabled don't want this done for them, they want it done with them," said Ms. Hartman, who recently returned from Washington, where she lobbied in support of the Americans with Disabilities Act, legislation that seeks to end discrimination against people with disabilities.

**The handicapped want people to recognize their existence.**

**Moscow Studies U.S. Bond Techniques**

By Michael Quint  
New York Times Service

**NEW YORK** — The Soviet Union, struggling to invigorate its economy, is turning to U.S. financial experts for advice on raising money to build projects ranging from hospitals to factories.

With the approval of Soviet officials, an American team is developing ways of borrowing similar to those used by more than 40,000 local governments in the United States.

Several of the proposals are to be presented in early April, when the Americans visit the Soviet Union.

Important to the U.S. group's proposals is showing how a relatively small amount of money can be stretched to finance projects that would greatly benefit the Soviet economy.

That technique is used by local governments in the United States, which borrow money by selling bonds to pay for construction of large public works, then repay the securities over years or decades.

In the Soviet Union, bond financing is unknown. Projects are funded on a pay-as-you-go basis.

But while the pool of savings in the Soviet Union is large, persuading citizens and enterprises to invest in bonds to finance public works will be a daunting task.

One problem is that bond purchases mandated during the Stalin years were later repudiated. And with inflation estimated at 10 percent for consumer goods whose prices are not controlled, many savers are more interested in buying gold, carpets and artwork.

Nevertheless, Sergei Plekhanov, a deputy director of the Institute of the U.S.A. and Canada, a research organization that is part of the Soviet Academy of Sciences and is working with the U.S. team, said from Moscow that the program "has the full-scale support of the Soviet government."

The supporters include Leonid I. Abalkin, deputy prime minister and chief economic adviser to President Mikhail S. Gorbachev, and officials of the Commission on Economic Reform.

"The budget is really tight, and the prospect of raising funds through the state for many necessary projects is not very good," Mr. Plekhanov said.

"But there are huge amounts of funds that are just lying out there not being used, and the idea of using new financing mechanisms to channel them to public health looks like a breakthrough."

Soviet officials are tentatively planning to apply the new financing techniques to construction of a 300-bed AIDS hospital in Moscow, one that would not be state-owned.

Other projects envisioned are buildings for six regional financial exchanges and a factory that would produce an as-yet-undefined product now being imported.

"What we are doing is coming up with ideas that might be applied now on a very small scale but which might serve as a template for many larger projects in the future," said Jeffrey A. Sachs, a New York financial consultant who

See BONDS, Page 15

**U.S. Data Augur Against Interest Rate Cut**

By Lawrence Malkin  
International Herald Tribune

**NEW YORK** — Inflation and trade data released Tuesday confirmed the view that the U.S. economy is too strong for the Federal Reserve Board to be able to lower interest rates for several months.

The consumer price index jumped 0.5 percent in February, about twice the amount Wall Street economists had expected. The rise was propelled by clothing prices, partly because of demand for spring lines in unseasonably warm weather.

The monthly trade deficit for

January widened by one-fifth, to a seasonally adjusted \$9.25 billion, because of soaring oil imports. One major factor was a 44 percent rise in the cost of imported petroleum as demand pushed up prices while heating-oil inventories were rebuilt after cold weather in December.

Once again, special factors could be blamed for erratic numbers. But economists and the traders they advise are looking past the monthly figures at an economy that seems to be escaping a recession but at a cost of persistent inflation that is of increasing concern to the Fed.

This situation, said Neal H. Soss, chief economist of First Boston Corp., will "put the Fed on hold for several months."

The U.S. stock and bond markets weakened at first. In addition to the CPI, a rise in Japan's discount rate and forthcoming note issues combined to raise interest rates on bonds in the morning.

Then bond prices improved as Japanese buyers underpinned the U.S. market along with a strong dollar against the yen. Stocks rose a few points in sympathy by midday, before easing back.

See DATA, Page 16

**Peru Economy Crumbles Before Poll**

By Lawrence Malkin  
International Herald Tribune

**LIMA** — Three weeks before presidential elections, Peru's economy has slipped into a whirlwind of strikes, inflation and feverish speculation in the U.S. dollar.

Strikes have shut two-thirds of the country's vital copper mining industry, and longshoremen paralyzed seaports with their own walk-out, which has nearly halted foreign trade.

President Alan Garcia Pérez, barred by the constitution from seeking reelection in an April 8 poll, faced the specter of a total economic breakdown before he hands power over to his successor in July, local analysts said.

"Garcia is struggling valiantly to prevent the economic bomb from

blowing up before he hands over power," said the economic magazine *Medio de Cambio*.

Mr. Garcia was haunted by the prospect of ending his term as did his former Argentine counterpart Raúl Alfonsín, who handed power over to President Carlos Menem last year with monthly inflation at more than 100 percent and industry in ruins, it added.

But a run on the inti currency this week has posed a distressing parallel with the Argentine case, in which a rising dollar almost always means falling faith in the future.

The inti tumbled 22 percent against the dollar on Monday on the technically illegal but tolerated black market. The dollar rose to 22,000 intis from 17,400 on Friday.

**Venezuela Gets Debt Accord**

United Press International

**NEW YORK** — Venezuela and its bank creditors said Tuesday they had reached a pact to trim the country's \$34 billion foreign debt and make new loans to stimulate growth.

The debt-reduction package, the third to be negotiated under a plan advanced last year by the U.S. Treasury secretary, Nicholas F. Brady, could reduce Venezuela's \$20 billion commercial bank debt by one-third, officials said.

Depending on the options selected by the creditor banks, Venezuela could receive up to \$11 billion in new loans.

See PERU, Page 17

**Random Seeking Straighter Course**

Managing a Sartre-to-Seuss Empire

By Roger Cohen  
New York Times Service

**NEW YORK** — Two months ago, Alberto Vitale took the wheel of the Cadillac of American publishing, Random House. From the outside, this majestic vehicle for the best in books — from James Joyce's "Ulysses," its first big commercial success in the 1930s, to E.L. Doctorow's "Billy Bathgate," a recent best-seller — looked as smooth and stable as ever.

But stability has suddenly given way to bumpiness, and some wonder where the Cadillac is heading. Clearly, many problems predated Mr. Vitale's arrival.

Over the last decade, Random House Inc. has been transformed from a relatively small company — what Jason Epstein, a longtime editor, called "a congenial, collegial and decent place" — into an international conglomerate with sales of \$850 million.

Yet, it was still being run in a loose and highly decentralized way by Robert L. Bernstein, the successor to Bennett Cerf, who founded Random House in 1927.

"Making money was not the main point," said a former executive of Random House's Vintage line of books, who spoke on condition of anonymity. "The main point was to publish the best books."

By 1989, Random House had stopped making money, several current and former company executives say.

Mr. Vitale's mandate from S.I. Newhouse, whose family's privately held Advance Publications Inc. owns Random House, included a turnaround of the company.

That may seem an unexceptionable goal. But these are troubled times in American publishing, and nervousness abounds.

Layoffs, large increases in book advances and the growth of book chains and publishing conglomerates have led to widespread unease.

"Watching the increasing pileup of book-publishing power into the hands of fewer people, authors sense that their own ability to deal with their work has been diminished," said Robert K. Massie, president of the Authors Guild.

Still, Mr. Massie said writers had benefited from some publishing mergers, which can provide sales and distribution muscle.

One of the first visible results of Mr. Vitale's management was the departure last month of Andre Schiffrin, long the managing director of Random House's Pantheon imprint. Alarm bells began to clang.

"It's been a season of anxiety in

publishing," said Peter Omos, associate publisher of Random House, "and whatever the merits, Pantheon became the focus."

The resignation of Mr. Schiffrin — along with Mr. Bernstein's forced departure last year — was seized upon by many writers and some editors as a symbol of the death of the iconoclastic.

Some editors find the uproar absurd. Others say it is disturbing. "Random House was always on the side of the angels — of literature and cultural diversity," said the chief executive of a large, rival publishing concern who had worked for several years at Random House. "For it to be called the defiler of culture is an unbelievable turn of events."

Mr. Newhouse dismissed suggestions that Random House had changed in any way other than size.

In discussing Mr. Bernstein's replacement by Mr. Vitale, he said, "The company got so big, it needed a more hands-on style of management."

Mr. Newhouse said he and Mr. Vitale were committed to ensuring that Random House "is a very high-quality publishing enterprise, producing good books, publishing them well and contributing to the culture and, where possible, the delight and amusement of the country."

Like other publishers, Random House expanded rapidly in the 1980s in response to the opportunities created by fast-growing American book chains and the emergence of a global market.

It bought publishing companies in and outside the United States, doubling its annual revenue over the last five years to near \$850 million.

Among its purchases was the 1988 acquisition of Crown Publishing Group, then a \$250 million company. Other smaller acquisitions included Times Books, Fodor travel guides, Fawcett Books, Schocken and the British publishers Century Hutchinson, Chanto & Windus, the Bodley Head and Jonathan Cape.

These were added to a host of other imprints, including Alfred A. Knopf, Vintage, Ballantine and Villard.

As a result, Random House, which Mr. Newhouse and his brother Donald bought from RCA Corp. in 1980 for \$70 million, is now believed to be worth more than \$1 billion, financial analysts say.

But with this growth came difficulties, especially involving how to integrate new businesses with exist-

See RANDOM, Page 17

**Japan Rate Rise Provides Little Support for Yen**

By Patrick L. Smith  
International Herald Tribune

**TOKYO** — The Bank of Japan's long-awaited decision Tuesday to raise its benchmark interest rate will begin to restore the monetary authority's lost credibility in global money markets, financial analysts said, but it is unlikely to lend more than temporary stability to the weakened yen and the ravaged Tokyo stock market.

The yen fell sharply in New York, where the dollar rose to close at 154.35 yen, its highest since mid-1987, up from 153.05 on Monday.

Although the central bank's governor, Yasuhiro Mieno, suggested strongly in his announcement that no further action on interest rates was under consideration, many analysts and investors began to speculate as to when another such move would be required and of what magnitude. Already on Tuesday, concerted dollar selling was required to restrain the U.S. currency's rise against the yen.

While the bank was constrained from acting by a variety of political pressures in recent weeks, its announcement of a one percentage point rise in the official discount rate, to 5.25 percent, was finally prompted by quickening inflation and a slide in the yen that was gaining momentum despite concerted intervention in currency markets.

Whatever the pressures against such a move, analysts said, the steep drop in the yen's value Monday made it impossible for Mr. Mieno to delay any further. In a statement Tuesday he said he "fully expects that this decision will contribute pre-emptively to maintaining price stability."

But the move is likely to mark only a brief pause in the yen's downward trend against the dollar and most European currencies, economists and market analysts said after the announcement. In turn, this will probably prompt a renewal of volatility on the Tokyo Stock Exchange, they added.

Economic activity and credit demand, which have already begun to slow gradually in recent months, will be affected only modestly by the bank's move because market interest rates, now roughly two percentage points above the discount

rate, are unlikely to advance much further, these sources said.

Equally, the danger of higher prices is not expected to abate until Mr. Mieno matches his interest-rate policy with tighter control of money growth. The bank said in a preliminary report Tuesday that the broadly measured money supply advanced last month by 11.9 percent from the previous year, the largest advance in two years and substantially above most forecasts.

Apparently reflecting the government's concern about the impact of the move on overall economic growth, the central bank injected 1.35 trillion (\$8.6 billion) into the banking system Tuesday morning by purchasing commercial paper and lending to commercial banks at the discount rate it would shortly boost.

In the markets, Mr. Mieno's suggestion that he expects the rate increase to be sufficient action by the central bank was simply the wrong signal, economists said. Although the rate increase had been fully discounted in the market — and was judged to be far too late — the clear implication was that it was the last such move the bank would make.

"With that kind of statement, we're expecting a renewed attack on the yen to begin almost immediately," said Kim Schoenholtz, an economist at Salomon Brothers Asia Ltd. "It might be a day, a week or two weeks, but it's only a question of how long the calm will last."

Although Mr. Mieno's announcement was expected to relieve a deep sense of uncertainty in the Japanese currency and stock markets, no discernible new trend was immediately apparent in either. The dollar opened lower in response to leaks of the rate plans but rebounded to 153.65 yen at the close, a gain of one-tenth of one yen from Monday's finish here.

The Nikkei industrial average, after posting a 4 percent loss Monday, dropped a further 456.05 points, ending at 30,807.19. Volume was 580 million shares, up from 400 million in the previous session.

Mr. Mieno, although strongly in

See RATE, Page 16

**CURRENCY RATES**

Currency	March 20	March 19
American dollar	1.0000	1.0000
British pound	1.6485	1.6485
French franc	6.5596	6.5596
German mark	1.9364	1.9364
Italian lira	2.0048	2.0048
Japanese yen	163.60	163.60
Swiss franc	1.4803	1.4803
U.S. dollar	1.0000	1.0000

**Other Dollar Values**

Currency	March 20	March 19
Australian dollar	1.5211	1.5211
Canadian dollar	1.2145	1.2145
Chinese yuan	8.2756	8.2756
Hong Kong dollar	7.7556	7.7556
Indian rupee	47.8480	47.8480
Israeli sheqel	3.4836	3.4836
South African rand	1.4664	1.4664
South Korean won	200.48	200.48

**Forward Rates**

Currency	30-day	60-day	90-day
British pound	1.6485	1.6485	1.6485
French franc	6.5596	6.5596	6.5596
German mark	1.9364	1.9364	1.9364
Italian lira	2.0048	2.0048	2.0048
Japanese yen	163.60	163.60	163.60
Swiss franc	1.4803	1.4803	1.4803

**INTEREST RATES**

Currency	30-day	60-day	90-day
British pound	10.00%	10.00%	10.00%
French franc	8.00%	8.00%	8.00%
German mark	8.00%	8.00%	8.00%
Italian lira	12.00%	12.00%	12.00%
Japanese yen	5.00%	5.00%	5.00%
Swiss franc	8.00%	8.00%	8.00%

**Key Money Rates**

Currency	30-day	60-day	90-day
British pound	10.00%	10.00%	10.00%
French franc	8.00%	8.00%	8.00%
German mark	8.00%	8.00%	8.00%
Italian lira	12.00%	12.00%	12.00%
Japanese yen	5.00%	5.00%	5.00%
Swiss franc	8.00%	8.00%	8.00%

**Asian Dollar Deposits**

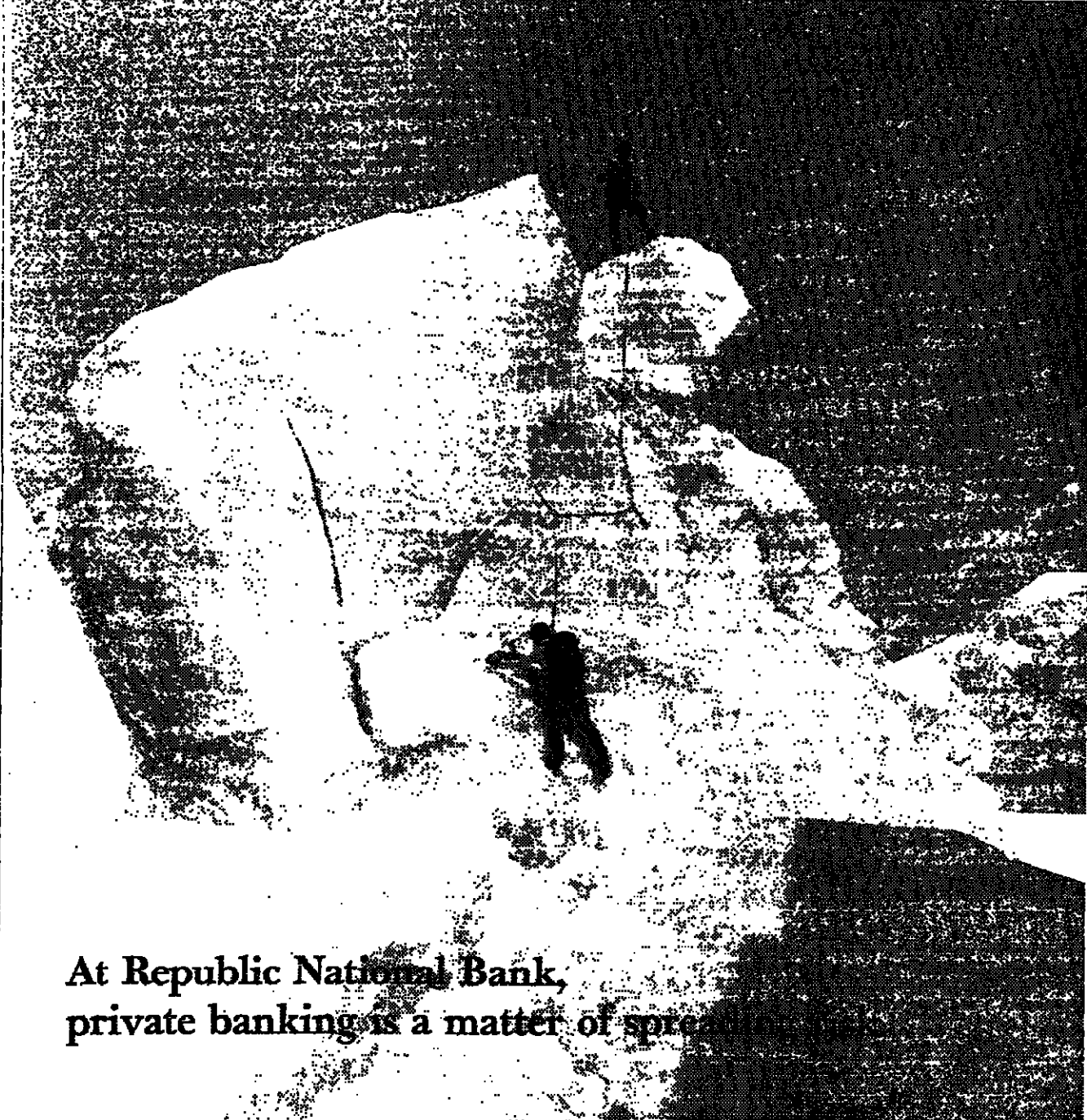
Currency	30-day	60-day	90-day
British pound	10.00%	10.00%	10.00%
French franc	8.00%	8.00%	8.00%
German mark	8.00%	8.00%	8.00%
Italian lira	12.00%	12.00%	12.00%
Japanese yen	5.00%	5.00%	5.00%
Swiss franc	8.00%	8.00%	8.00%

**U.S. Money Market Funds**

Fund	March 20	March 19
First American	1.00%	1.00%
Fidelity	1.00%	1.00%
Putnam	1.00%	1.00%
Wellington	1.00%	1.00%

**GOLD**

Commodity	March 20	March 19
Gold	380.00	380.00
Silver	5.00	5.00
Palladium	100.00	100.00
Platinum	100.00	100.00



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# Volkswagen in Skoda Talks

By Ferdinand Protzman  
New York Times Service

BERLIN — Volkswagen AG, Western Europe's largest auto manufacturer, is holding wide-ranging talks with a Czechoslovak automaker, Skoda, on possible co-operation, according to a Volkswagen spokesman.

"We are talking with Skoda's management and jointly examining their business activities with the goal of finding starting points for co-operation," said Ottwin Witzel, Volkswagen's spokesman, on Monday.

"There have been no decisions and no specific negotiations on definite projects," Mr. Witzel added. Skoda, considered one of the most advanced automakers in Eastern Europe, has exported its compact cars to the West for some time. In 1989, it introduced a compact model, the Favorit, which has received generally positive reviews in Western motor journals.

The talks are part of a rush by Western automakers to form joint ventures with Eastern carmakers in the wake of the region's radical shift toward democratic government and free-market economics.

Also, the Japanese automaker Suzuki Motor Co. is negotiating with Hungary on establishing a joint venture to build cars there.

West Germany's two biggest car companies, Volkswagen and Adam Opel AG, the West German subsidiary of General Motors Corp., have signed agreements giving them a dominant position in East Germany's automotive industry.

## ABB Lifted Net Profit By 53% Last Year

By 53% Last Year

Reuters

BRUSSELS — The Swiss-Swedish group Asea Brown Boveri said Tuesday that net consolidated profit in 1989 rose 53 percent from a year earlier, to \$589 million.

The engineering group expects better growth this year due to new prospects in Eastern Europe and in the environmental field. But it cautioned: "Acquisitions and joint ventures will enhance long-term earnings growth. However, some of them will have a negative effect on short-term results."

Other European automakers, including Fiat SpA of Italy and Renault of France, have longstanding ties to Eastern European nations and the Soviet Union.

Fiat, the second-largest Western European automaker, has signed a letter of intent with a Polish automaker, FSO, to produce Fiat's Tipo compact car in Poland.

Fiat models have been produced under license in the Soviet Union and Poland for years, and the company also has strong industry ties to Yugoslavia.

Renault is also considering establishing a joint venture with Skoda, industry sources said, but West German press reports contend that Skoda's management is leaning heavily toward Volkswagen.

"For Skoda, the critical area is engines," said Karl E. Ludvigsen, president of Ludvigsen & Associates, a London-based automotive consulting group.

"Our car range has been renewed and is pretty good by Eastern European standards. But they need a new engine, and they have been talking to Fiat, Citroen, Renault and other folks."

## Mobil Selling Italian Unit To Kuwaitis

Reuters

NEW YORK — Mobil Corp. said Tuesday it had agreed to sell its Italian subsidiary, Mobil Oil Italiana SpA, to an affiliate of the state-owned Kuwait Petroleum Corp. for about \$300 million.

Mobil Oil Italiana owns a 100,000 barrels per day fuel refinery in Naples, an adjoining aromatics plant and about 2,000 service stations.

Mobil said it would form a new affiliate to continue its sales of lubricants in Italy.

Excluded from the sale are operations of Mobil Chemical Co. in Italy. Mobil said it would continue to develop its other refining and marketing operations in Europe.

Mobil said the total amount to be paid in the deal, which is due to be completed by May 31, will depend on inventory, third-party debt and the balance sheet at the closing date.

## Standard's Profit Fell 79% in Year

Compiled by Our Staff From Dispatches

LONDON — Standard Chartered PLC, the London-based international bank, said Tuesday that its pretax profit plunged by 78.5 percent to \$27.1 million (\$108.1 million) in 1989, largely because of higher provisions against its doubtful loans to developing countries.

Standard, which earned \$133.3 million in 1988, said its performance last year was hurt by high interest rates in Britain, suspension of interest payments by Brazil and problems in Australia's corporate sector. The bank said it added a further \$427 million to its reserves against its portfolio of loans to less developed countries, and said it took further steps to reduce its problem-country exposure.

Standard's total exposure to less developed countries amounted to \$1.97 billion at the end of 1989, down from \$2.82 billion in 1988. Total provisions amounted to \$1.23 billion, or 62 percent, compared with \$1.01 billion, or 36 percent, a year earlier.

Standard said that Latin American loans accounted for less than 40 percent of its Third World loan exposure and that it has no loans to Argentina. The bank also said it decided last year to exchange all of its eligible Mexican debt for bonds.

"We have made realistic provisions—in some cases 90 percent or more—against each country," the bank said in its overall Third World exposure.

Standard said its South African debt was reduced further in 1989 after it received certain previously

agreed repayments, and that it would keep its provision against this exposure at 5 percent.

The data released Tuesday, however, showed that even before taking account of Third World debt problems, Standard's profits were weak in 1989. Profit before exceptional items amounted to \$232 million last year, down from \$313 million a year earlier.

Standard announced earlier this month that it was making an \$80 million provision against its \$110 million loan exposure to Mini-Script Corp., the U.S. maker of computer disk drives that filed for bankruptcy protection in January.

The bank's profits in Asia were also weak, despite its efforts to make the region a major profit center. Profit from Standard's Asian operations totaled \$36.5 million, down sharply from \$88.2 million a year earlier.

Despite its increased charges for bad debts, Standard said it strengthened its capital position last year through property sales and its recent deal with Westdeutsche Landesbank Girozentrale.

Standard last year sold its London headquarters to Kumagai Gumi Co. of Japan and its Singapore headquarters to DBS Land Ltd.

Its deal with Westdeutsche Landesbank was valued at 500 million Deutsche marks (\$297.2 million) and involved the West German bank taking over Standard's network in Belgium, West Germany, France, Ireland, Italy, the Netherlands, Austria and Turkey.

(Reuters, AFP)

## Investor's Europe

Frankfurt Commerzbank	London F.T. 100 Index	Paris C.A.C. 40
2400 2300 2200 2100 2000 1900 1800 1700	2450 2350 2250 2150 2050 1950 1850 1750	2100 2000 1900 1800 1700 1600 1500 1400
1989 1990	1989 1990	1989 1990
Exchange	Index	Tuesday Close
Amsterdam	CBS General	114.10
Brussels	Stock Index	6068.60
Frankfurt	Commerzbank	2334.10
Frankfurt	DAX	1908.83
Helsinki	UNITAS	634.70
London	Financial Times 30	1771.40
London	FT-SE 100	2259.70
Madrid	General Index	265.72
Milan	MIB	995
Paris	CAC 40	1925.39
Stockholm	Affarsvaerden	1095.80
Zurich	SBS	N.Q.
		Prev. Close
		% Change
		+0.26
		-1.01
		+0.11
		-0.47
		+0.72
		+0.97
		-0.52
		-0.10
		-0.60
		+0.48
		0.00

Source: AFP

International Herald Tribune

## Big Firms Push For Recycling

Reuters

BRUSSELS — A group of industrial companies on Tuesday announced plans to join forces to encourage greater recycling of packaging thrown away by European households, much of which usually gets burned or dumped.

The European Recovery and Recycling Association said it planned pilot collection projects in selected cities and a database to store results, to demonstrate the feasibility of recycling glass, plastics, paper, cans and other materials.

The companies involved include Coca-Cola Co., PepsiCo Inc., Heineken NV, Nestlé SA and Cadbury Schweppes PLC. The group noted that only between 2 and 7 percent of household waste is currently being recycled in Europe.

## Leading U.K. Chains Boost Wages

Compiled by Our Staff From Dispatches

LONDON — The British retail chain Marks & Spencer and the supermarket chain J. Sainsbury have awarded pay rises of up to 26 percent to their staff, prompting expectations of steep rises elsewhere in the retail industry.

The two firms, both highly profitable, are seen as traditional benchmarks in negotiations for pay rises throughout Britain's retail sector.

Marks & Spencer on Tuesday announced that 44,000 of its store staff were to receive a pay rise of £31.50 (\$50.75) a week, an increase of 26 percent over current rates at the bottom of the scale.

The increases, covering the next three years, will raise costs by £20 million in the first year, but should not lower profitability, Marks & Spencer said.

This is the first time the retailer has made a pay award spanning more than one year.

"We believe this award will be self-financing and have no intention of passing costs on to customers," said Clive Nickolds, a personnel executive. "We want a reward system which fairly recognizes the contribution of staff."

The award will take the average salary of a Marks & Spencer shop assistant to £150.53 a week.

John Stanley, divisional director of corporate affairs, said, "We are eliminating the differential between the sales staff and the warehouse staff after examining the way their jobs have changed in recent years."

On Monday, J. Sainsbury said that it was increasing the wages of 60,000 staff by between 8.5 percent and 20 percent, in a bid to restore equality between wages of its male and female employees and to ensure it keeps its staff at a time of labor shortage.

The increases are well above the 7.7 percent British inflation rate

over the last 12 months, and follow a similar trend in the industrial sector, where the automaker Ford Motor Ltd. — considered a benchmark for the industry — awarded a 10.2 percent pay rise earlier this year.

The Marks & Spencer and Sainsbury increases were "very worrying," said Simon Briscoe, an analyst with Midland Montagu, because they could not be counterbalanced by productivity increases at a time when the retail sector is suffering because of high interest rates.

But "in some areas unemployment has fallen to one or two percent of the work force and there are no reserves of labor left," he added.

Marks & Spencer shares closed steady in London at £1.92 Tuesday, after early weakness, while Sainsbury's were down three pence at £2.59 after losing three pence on Monday.

(AFP, Reuters)

## BONDS: Soviet Union Studies Wall Street Techniques for Public Finance

(Continued from first finance page)

made connections with Soviet officials and assembled the U.S. financial team.

The financing plans come as the Soviet government is experimenting with economic changes to strengthen private enterprise.

While bond sales require governments to pay interest, they have the advantage of spreading the cost of major projects over many years so that small governments can afford large projects and still have money for other purposes.

Stretching out repayments also allows governments to pass the cost on to citizens who use the project over long periods.

Another objective of the financial proposals is to absorb some of the so-called ruble overhang, the vast store of money that Soviet citizens and enterprises have accumulated but have no place to spend or invest.

Economists worry that the supply of rubles, combined with the demand for consumer goods, could lead to extremely high inflation if price controls were loosened.

"The investment alternatives now in the Soviet Union are extremely limited," said Eric Stubbbs, a professor at the Manhattan School of Management and Policy at State University of New York at Stony Brook.

Mr. Stubbbs, a member of the U.S. team that will travel to Moscow in April, said Soviet officials were eager for financial innovations that might absorb some of the 600 billion rubles (\$983.6 million) at the official exchange rate held in low-interest savings accounts or outside the banking system.

Resides the economic benefits of the projects, participants in the program expect it to help Soviet officials develop the habit of economic decision-making at the local level.

While the cooperation of central planners is essential, the new financing arrangements mean they would lose some of their control over the nation's economic activity.

For example, an enterprise that invests in bonds would receive interest in rubles that could be used to buy equipment needed for expansion — without obtaining prior approval for expansion from government central planners.

To attract buyers for the bonds needed to finance local projects, Mr. Sachs and his associates have so far developed two strategies new to the Soviet Union.

One idea is to issue bonds that pay interest in certificates convertible into Western currencies. Because hard currencies are needed to pay for many high-technology im-

ports, the bonds might appeal to Soviet enterprises that have excess rubles but do not have permission to spend them on Western goods.

To encourage the government to part with some of the scarce hard currency needed for interest payments, the bonds might be used to pay for a factory producing something that is currently imported.

A second proposal is for some type of Soviet savings bond, or allocation bond, with proceeds of the sale earmarked for particular local projects. These bonds could pay interest in what the U.S. financiers call allocated rubles.

The allocated rubles would be given priority when presented to government agencies that control the sale of scarce materials and equipment.

"There are many Soviet enterprises that have accumulated large amounts of rubles which are all but useless because they do not have government allocations to buy needed supplies," Mr. Sachs said.

J. Chester Johnson, a member of Mr. Sachs' team and president of Government Finance Associates, a Princeton, New Jersey, financial adviser to local governments, said the American group did not want to encourage unwise use of bond financing.

"We want to make sure that everybody understands that bonds are good for capital projects, but not as a means to pay for day-to-day operations," he added.

Mr. Sachs made his first connections in the Soviet government last summer, at a rock and roll concert that attracted 100,000 fans to Lenin Stadium in Moscow.

Acting as liaison between the concert promoters and the Soviet government, the 37-year-old Mr. Sachs met Stas Namin, a well-known Russian rock performer and impresario and also the well-connected grandson of Anastas I. Mikoyan, for decades a top Soviet official and diplomat.

After a second trip to the Soviet Union in November, he returned to the United States with a written agreement authorizing him to assemble a team to propose and help evaluate financing proposals that Soviet officials might put into effect.

For now, Mr. Sachs said, the team is working without pay. "The big banks and investment houses have spent millions of dollars trying to develop business in the Soviet Union, but they have to realize that the economy is run by a government bureaucracy, not other businessmen doing deals American-style," Mr. Sachs said.

## COMPANY RESULTS

Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated.

Year	1989	1988	Year	1989	1988
Revenue	2,600	2,600	Revenue	4,400	4,100
Profit	737	737	Profit	250.00	182.00
Per Share	1.37	1.37	Per Share	3.45	2.31
Results in U.S. dollars			Results in U.S. dollars		

Year	1989	1988	Year	1989	1988
Revenue	1,000	1,000	Revenue	1,000	1,000
Profit	1,000	1,000	Profit	1,000	1,000
Per Share	0.22	0.22	Per Share	0.22	0.22

Year	1989	1988	Year	1989	1988
Revenue	2,600	2,600	Revenue	2,600	2,600
Profit	737	737	Profit	737	737
Per Share	1.37	1.37	Per Share	1.37	1.37

Year	1989	1988	Year	1989	1988
Revenue	2,600	2,600	Revenue	2,600	2,600
Profit	737	737	Profit	737	737
Per Share	1.37	1.37	Per Share	1.37	1.37

Year	1989	1988	Year	1989	1988
Revenue	2,600	2,600	Revenue	2,600	2,600
Profit	737	737	Profit	737	737
Per Share	1.37	1.37	Per Share	1.37	1.37

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Revenue	2,600	2,600	Revenue	2,600	2,600
Profit	737	737	Profit	737	737
Per Share	1.37	1.37	Per Share	1.37	1.37

Year	1989	1988	Year	1989	1988
Revenue	2,600	2,600	Revenue	2,600	2,600
Profit			Profit		







## Mezzanine Capital Corporation Limited

Notice to the holders of the fully paid Bearer Depositary Receipts ("BDRs") evidencing Participating Redeemable Preference Shares of US 1 cent each ("Shares") of Mezzanine Capital Corporation Limited (the "Company")

### Notice of Dividend

NOTICE IS HEREBY GIVEN to the holders of the BDRs that the Corporation has declared an interim dividend for the financial year ended 31st May, 1990 of US\$0.3151 per share. The BDRs are denominated in multiples of units ("Units"). Each Unit currently comprises 35 Shares. The dividend is, therefore, equivalent to US\$11.03 per Unit.

Payment of this dividend will be made, subject to receipt thereof by Manufacturers Hanover Bank (Guernsey) Limited ("the Depository"), against surrender of Income Coupon No. 12 (INC No. 12) at the specified office of the Depository or of any of the Paying Agents (set out on the reverse of the BDRs and at the foot of this Notice), at any time on or after 22nd March, 1990.

Payment will, in each case, be made, subject to any laws and/or regulations applicable thereto, by dollar cheque drawn upon, or at the option of the holder of the relevant Coupon, by transfer to a dollar account maintained by the payee, with a Bank in New York City.

Copies of the Corporation's Interim Report may be obtained from the Depository, any of the Paying Agents listed below and Euroclear and Cedeit.

#### Depository and Principal Paying Agent

Manufacturers Hanover Bank (Guernsey) Limited,  
Albert House, South Esplanade, St. Peter Port,  
Guernsey, Channel Islands

#### Paying Agents

Manufacturers Hanover Trust Company,  
Bockenheimer Landstrasse 51-53, D 6000 Frankfurt-am-Main 1,  
West Germany

Manufacturers Hanover Trust Company,  
Shell Tower, 33/34th Storey, 50 Raffles Place, Singapore 0104

Manufacturers Hanover Trust Company,  
The Adelphi, John Adam Street, London WC2N 6HT

Bankers Trust Luxembourg S.A.,  
14 Boulevard Roosevelt, Luxembourg,  
Grand Duchy of Luxembourg

Manufacturers Hanover Trust Company,  
Edinburgh Tower, 43rd Floor,  
15 Queens Road Central, Hong Kong

Manufacturers Hanover Trust Company,  
Stockerstrasse 33, 8027 Zurich, Switzerland

Morgan Guaranty Trust Company of New York,  
14 Place Vendôme, 75001 Paris, France

St. Peter Port, Guernsey  
Dated 21st March, 1990

by: Manufacturers Hanover  
Bank (Guernsey) Limited  
Depository

## EUROBONDS

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OF EUROBOND PRICES

## U.S. Coalition Buys Strategic Chip Unit

By John Burgess

Washington Post Service

WASHINGTON — An unusual coalition of American companies, including International Business Machines Corp. and Du Pont Co., has bought a business that holds critical computer-chip technology, a move that will give it new funding and assure its manufacturing facilities remain in U.S. hands.

The group bought a division of Perkin-Elmer Corp. that makes specialized equipment used to manufacture chips, the basic building blocks of electronic equipment. The machinery harnesses electron beams to etch out microscopic circuits or to make "masks" through which light is shined to make chips.

Another U.S. group, reportedly involving the chip-equipment maker Silicon Valley Group of San Jose and IBM, continues to discuss purchase of a second, larger chip-making equipment division of Perkin-Elmer, an industry source said.

Perkin-Elmer, a revered pioneer in the semiconductor equipment business, put the two divisions up for sale last year as part of a general restructuring. Reports that Nikon Inc. of Japan was interested in buying the larger division led some members of Congress to protest, saying such a sale would help deliver another crucial technology into foreign hands.

A Nikon deal never materialized. Financial terms for the purchase of the smaller division, which employs several hundred people, were not disclosed.

"It's good to see that at least the electron beam part of the business will stay American," said Representative Don Rostenkowski, a Pennsylvania Republican.

The new owners will be a newly formed Nevada company, Etec Inc., headed by two former Perkin-Elmer executives, Charles E. Minahan and Thomas Halloran. IBM, Du Pont, Grumman Corp., the semiconductor maker Micron Technology Inc. and the data-storage system maker Zitel Corp. will all have equity stakes, as will Perkin-Elmer. Separately, Du Pont will buy a mask-making plant from the Perkin-Elmer division.

Joseph Grenier, an industry analyst at Dataquest, said the move should strengthen the U.S. standing in the electron-beam equipment market, which had sales of about \$120 million in 1988.

"It was clear that Perkin-Elmer wasn't making the investments that they should have been in that division," he said.

In addition to new capital, he noted, the deal will give the company access to IBM technology in electron beams, through a special licensing arrangement.

In recent months, IBM has made several other special deals to strengthen the U.S. semiconductor industry, which in the 1980s lost ground steadily to Japan and other East Asian countries. "We feel it's very important to have the healthiest possible technological infrastructure in the United States," said an IBM spokesman, Paul T. Bergevin.

## PERU: Economy Turns to Tatters

(Continued from first finance page)

runner-up in a field of nine candidates.

Mr. Vargas Llosa's opponent in the run-off was unclear. Polls suggested he would face either the ruling Aprista party candidate, Luis Alva Castro, or the former socialist mayor of Lima, Alfonso Barrantes Lingán. The polls have shown wild swings in support for both nominees.

Even the date of the second and decisive round of elections was unclear. Amid confusing and overlapping electoral laws, some officials said the date would depend on when the first round of votes were

counted. Others said the government would have to issue a decree setting the date.

About the only thing certain for the next president is that he will find an almost empty Treasury.

The Central Reserve Bank's foreign-exchange reserves have fallen to below \$400,000 as the government spends its last dollars in a final spree of public-works spending and import financing.

Strikes, meanwhile, have spread to almost every sector of government and most major industries. Longshoremen have been on strike since Wednesday to demand wage increases topping 500 percent.

## RANDOM: Sprawling U.S. Publisher Attempting to Get Back on Track

(Continued from first finance page)

ing ones, how to achieve efficiency in manufacturing and sales, and how to manage a far-flung conglomerate.

Random House has always prided itself on its range, publishing William Faulkner and James Michener, Gore Vidal and John Jakes, Robert Penn Warren and Nancy Reagan, Jean-Paul Sartre and Dr. Seuss. But the breadth of its operations began to appear to some senior company officials like a disorganized sprawl.

Interviews with a number of current and former executives of Random House suggest that there was a growing concern that Mr. Bernstein was losing control of the company. Whatever the reality, it is clear that Random House suddenly encountered unexpected financial problems. From a company whose profit represented about 8 percent of sales of \$450 million in the mid-1980s, it became, in 1988 and 1989, a company that at best broke even.

"Last year could not have been profitable," a former senior executive said.

Mr. Newhouse will not comment on financial results. But he suggested that the company had grown unwieldy.

"Mr. Bernstein did a terrific job between 1980 and 1989," he said. "However, the company got more complicated. It was clear to both of us that Random House would require a different, less laid-back style of management. That is what Alberto Vitale is involved in."

Mr. Vitale, the former chief executive of Bantam Doubleday Dell, replaced Mr. Bernstein on Jan. 1.

At Random House, Mr. Vitale's arrival was awaited with some trepidation. Rumors swirled of draconian cuts, at Pantheon and elsewhere.

Until his abrupt resignation in November, Mr. Bernstein had been president of Random House since 1966.

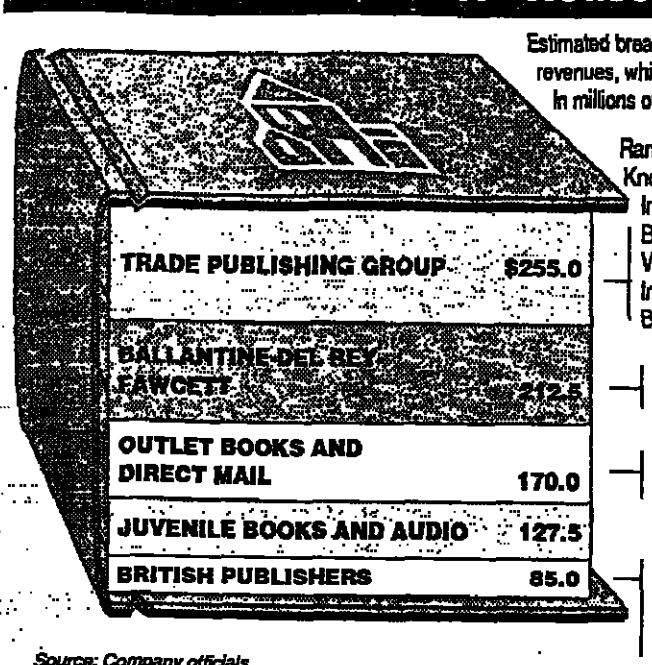
Under Mr. Bernstein and his predecessor, Mr. Cerf, Random House had retained something of the rambling quirkiness of a large bookstore run by somebody with a passion for books.

Those who entered the company often stayed for life. Even today, somebody with seven years' experience is considered a novice.

At Knopf, there was a room with a large set of Lego plastic blocks, where editors would go and build models while seeking inspiration.

At Pantheon, Mr. Schiffrin ran an operation that nobody expected to make money.

## The Sections of Random House



Source: Company officials

Estimated breakdown of Random House's 1989 revenues, which total approximately \$850 million, in millions of dollars.

Random House adult books, Alfred A. Knopf Inc., Crown Publishers Inc., Pantheon Books, Schocken Books, Times Books, Villard Books, Vintage Books, Clarkson N. Potter Inc., Harmony Books, Reference Books, Fodor's Travel Guides.

Mass market, trade paperback and hardcover publishing.

Outlet promotional books and Publishers Central Bureau mail-order business.

Random Century Group (Century Hutchinson, Arrow Books, Barrie & Jenkins, Chatto & Windus, Jonathan Cape and the Bodley Head)

The New York Times

And sales conferences would often be opened by Mr. Bernstein with comments on human rights.

When there was a discussion of the cost of the Czechoslovak writer Vladav Havel's "Letters to Olga," published in 1988 by Knopf, Mr. Bernstein said he quickly cut it short by saying: "He's in jail. Buy the book." Mr. Havel is now the president of Czechoslovakia.

Since money often seemed secondary at Random House, the arrival of Mr. Vitale, who came to

books from finance, was seen by some people as the arrival of technocracy and the death knell for eccentricities.

The fear, several editors said, was that a hard-nosed business approach by Mr. Vitale would destroy the pleasures of a creative place. But, in many instances, Mr. Vitale seems to have inspired optimism.

Gerald Harrison, an executive vice president at Random House, said: "Mr. Vitale is looking at things that were not looked at be-

fore — the costs of warehousing, our service department, how accounting is done."

Random House's biggest difficulties, people within the company said, stem from its 1988 acquisition of the Crown Publishing Group for an estimated \$150 million.

Two Crown operations — the Outlet promotional books and the Publishers Central Bureau, a mail-order business — have been losing money.

## UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK

In re McLean INDUSTRIES, INC.,  
f/k/a McLean Securities, Inc., Debtor.  
In re FIRST COLONY FARMS, INC., Debtor.  
In re UNITED STATES LINES, INC., Debtor.  
In re UNITED STATES LINES (S.A.), INC., Debtor.  
f/k/a Moore-McCormack Lines, Inc., Debtor.

Chapter 11 Case No. 86 B 12238 (HCB)  
Chapter 11 Case No. 86 B 12239 (HCB)  
Chapter 11 Case No. 86 B 12240 (HCB)  
Chapter 11 Case No. 86 B 12241 (HCB)

NOTICE OF CONFIRMATION OF FIRST AMENDED AND RESTATED JOINT PLAN OF REORGANIZATION OF McLEAN INDUSTRIES, INC., FIRST COLONY FARMS, INC., UNITED STATES LINES, INC. AND UNITED STATES LINES (S.A.), INC.

PLEASE TAKE NOTE that on May 16, 1989, the Honorable Howard C. Buschman III, the United States Bankruptcy Judge, having held a hearing (the "Hearing") under section 1128 of the Bankruptcy Code, 11 U.S.C. § 1128, entered an order (the "May Confirmation Order") confirming the First Amended and Restated Joint Plan of Reorganization (the "Plan") of McLean Industries, Inc. ("MI"), First Colony Farms, Inc. ("FCF"), United States Lines, Inc. ("USL") and United States Lines (S.A.), Inc. ("USLSA") (collectively, "the Debtors"), and approving certain modifications thereto. On February 6, 1990, the Bankruptcy Court held a further hearing pursuant to section 1127(b) of the Bankruptcy Code 11 U.S.C. § 1127 (b) and entered an Order (the "February Order") approving certain modifications to the Plan as it concerns USL and USLSA and reaffirming the Confirmation of the Plan (the February Order and the May Confirmation Order, together the "Confirmation Order"). The Plan Effective Date as to MI and FCF occurred on July 27, 1989. The Plan Effective Date as to USL and USLSA occurred on February 23, 1990.

1. Pursuant to the Confirmation Order, the Plan in binding Upon the Debtors, any entity acquiring property under the Plan, and any holder of a claim against interest in the Debtors, regardless of whether a proof of claim or interest thereto was filed, whether the claim or interest is an Allowed Claim or Interest (as defined in the Plan), or whether the holder thereof voted to accept the Plan.

2. The Confirmation Order discharges the Debtors, as of the Plan's Effective Dates, of any and all interests in any liabilities and debts, whether liquidated or unliquidated, disputed or undisputed, matured or unmatured, assessed or not yet assessed, known or unknown, asserted or unasserted, of each of the Debtors that arose at any time before, or from any conduct of the Debtors before, entry of the Confirmation Order. All entities asserting such claims or before, entry of the Confirmation Order. All entities asserting such claims or before, entry of the Confirmation Order. All entities asserting such claims or before, entry of the Confirmation Order. All entities asserting such claims or before, entry of the Confirmation Order.

3. All persons are permanently stayed, restrained and enjoined by the Confirmation Order from taking any action in furtherance of any claim against, liability or debt of, or interest in the reorganized companies based upon the Debtors' conduct of their businesses prior to the Plan Effective Date as to each debtor or any events, transactions or state of facts occurring or existing prior to such Plan Effective Date.

4. The Court also approved, and authorized and empowered the Debtors to enter into and perform, all agreements referred to in the Plan.

5. The Court further ordered that the automatic stay provided for under Section 362 of the Bankruptcy Code and the Court's restraining order entered on the November 24, 1986 shall remain in full force and effect until the Plan Effective Dates, subject to extension upon application to the Court.

6. The foregoing is only a summary of certain provisions of the Plan and the Confirmation Order and is qualified in its entirety by such documents. Capitalized terms not otherwise defined herein shall have the respective meanings given such terms in the Plan or Confirmation Order, as applicable.

7. Questions concerning the Plan and the Confirmation Order as to USL and USLSA may be directed to:

The United States Lines, Inc. and  
United States Lines (S.A.), Inc.  
Reorganization Trust  
P.O. Box 406  
Jersey City, NJ 07302  
(201) 433-6771  
By Telecopy: (201) 433-6556

Millbank, Tweed, Hadley & McCloy

By s/Stephen J. Shimshak

(A Member of the Firm)

1 Chase Manhattan Plaza

New York, NY 10005

(212) 530-5000

Attorneys for the Debt

Dated: New York, NY

March 14, 1990

## Alfa-Laval Posts 34-percent Profit Increase

### Substantial earnings improvement

Net sales in 1989 of the Alfa-Laval Group, the Sweden-based supplier of industrial, food processing and agricultural plants and equipment, amounted to MSEK 15,227, up 23 percent compared with 1988. Order bookings in the same period rose 24 percent to MSEK 16,775.

Consolidated income after net financial items increased 34 percent to MSEK 1,412. Profit per share after full taxes was SEK 15.80, compared with SEK 11.90 a year earlier. Return on equity capital after full taxes improved from 18.1 to 21.9 percent.

At year-end 1989, total liquid funds amounted to MSEK 4,250, compared with MSEK 3,976 at the same date a year earlier. At the same time, liquid funds were MSEK 284 higher than total external borrowing.

### Dividend up 34%

The Board of Directors has decided to propose a dividend increase from SEK 3.90 to SEK 5.25 per share.

The complete preliminary report on Alfa-Laval's operations in 1989 can be obtained from Alfa-Laval AB, Box 12150, S-102 24 Stockholm, Sweden. Int +46 8 80 99 00.

### Key figures (MSEK)

	1989	1988	Change, %
Order bookings	16,775	13,553	+ 24
Net sales	15,227	12,401	+ 23
Order backlog	6,370	4,822	+ 32
Operating income after depreciation	1,310	915	+43
Income after net financial items	1,410	1,053	+34
Return on equity capital, percent	21.9	18.1	
Profit per share, SEK	15.80	11.90	+33

### Forecast

During the first two months of 1990, invoicing was 17 percent higher than in the corresponding period in 1989. Newly acquired companies accounted for 7 percentage units of the increase.

It is anticipated that the trend of consolidated net sales in 1990 will meet the 15-percent growth target. Income is expected to increase at approximately the same rate.

**ALFA-LAVAL**

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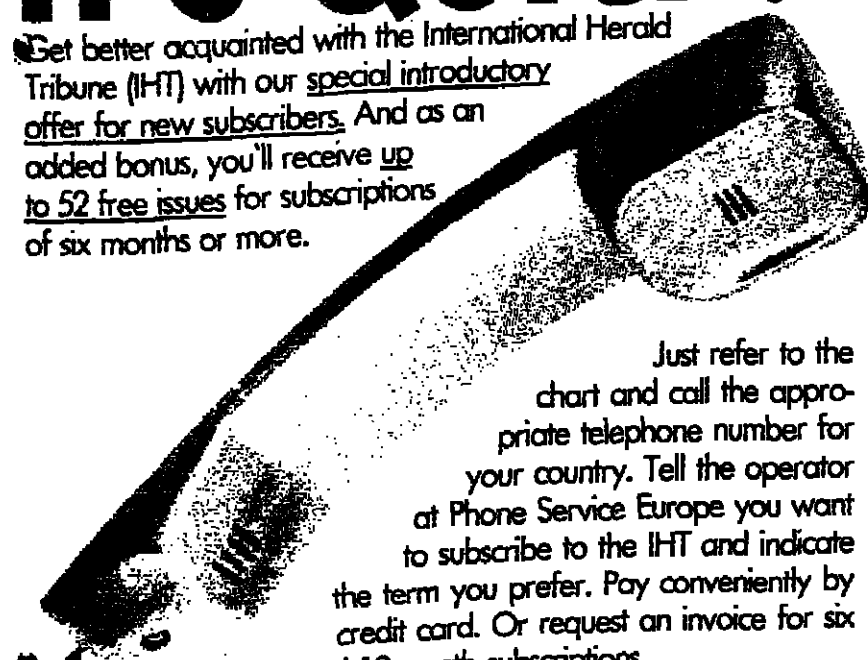
Country/Currency	TELEPHONE NUMBER	12 months (+ 52 free issues)	ONE-YEAR SAVINGS (+ 26 free issues)	2 months
Austria	A. Sch. 0222/676633455	4,400	3,972	250
Belgium	B.F. 03/271.03.04	11,000	7,200	600
Denmark	D.A. 38.12.11.44	2,700	1,658	120
Finland	F.M. 907.69.38.558	1,760	1,616	970
France	F.F. 0801.9088	1,500	1,412	830
Germany	D.M. 0130/2525	580	439	320
Greece	G. 0800/700600	140	115	77
Great Britain	G. 01/51.29.005	41,000	20,880	23,000
Ireland	I. 01/51.29.005	155	136	85
Italy	I. 02/271.03.04	11,000	7,200	600
Luxembourg	L.F. 32.3/271.03.04	11,000	7,200	600
Netherlands	N. 06-022.0242	600	492	340
Norway	N.K. 042/11.388	2,000	1,400	1,100
Portugal	P. 0034/1.555.1085	29,000	22,880	16,000
Spain	S. 91/555.1085	32,000	26,080	17,000
Sweden	S.S. 08/71.62.771	2,000	1,400	1,100
Switzerland	S.F. 046.08.44.11	455	471	255
Rest of Europe, N. Africa, Former French Africa, Middle East		470	470	260
Rest of Africa, Gulf States, Asia		620	620	340
Canada/Latin America		940	940	295

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## Time for CITIC to Repose?

### Hungry Investment Firm Needs to Digest Purchases

By Steve Glain

**HONG KONG**—China's state-owned investment unit is expected to lie low as it digests acquisitions made during a feeding frenzy among Hong Kong's most strategic companies, according to analysts.

China International Trust & Investment Corp. on Tuesday formally announced its agreement to buy a 20 percent stake in Hongkong Telecommunications Ltd., which analysts said has saddled the investment firm with mounting debt.

"A lot of people are worried that CITIC is reaching the limit of its current ability to finance these deals," said Stuart Cook, an analyst at Baring Securities.

The 8 billion Hong Kong dollar (\$1.02 billion) Telecom investment

is the largest equity purchase in the company's history. It crowns a series of high-profile purchases that has given CITIC a foothold in Hong Kong's key transportation, telecommunications and utility companies.

About 80 percent of CITIC's recent purchases—estimated to be worth about 10 billion dollars—is financed through debt, analysts said.

Last December, CITIC bought a 38 percent stake in Dragonair Ltd., Hong Kong's regional airline, to complement its 12.5 percent in the international carrier, Cathay Pacific Airways Ltd.

Early last month, CITIC bought 51 percent of the aviation and property firm Tyrell Investment, which will eventually absorb its Dragonair stake and property holdings.

Since 1980, CITIC has accumu-

lated a 24.5 percent stake in the colony's Eastern Harbor Crossing tunnel and a 33.3 percent share in AsiaSat, a consortium formed to launch and coordinate a telecommunications satellite network.

CITIC has skillfully exploited its political advantage to secure large minority stakes in local blue-chip firms at bargain levels, analysts said. With Hong Kong scheduled to return to Chinese control in 1997,

**'A lot of people are worried that CITIC is reaching the limit of its current ability to finance these deals.'**

Stuart Cook, analyst

companies are willing to trade cheap equity in return for goodwill from the mainland.

Cathay Pacific, for example, offered its stake to CITIC at 5 dollars a share, a discount of about 10 percent to the stock's market price at the time.

"Most companies are willing to sacrifice a little if it means being accepted as a business partner of the Chinese government, particularly if they plan to have a profitable future in Hong Kong," said Mr. Cook.

Few analysts doubt that CITIC purchases make good commercial sense. But many said growing ap-

prehension about its brimming debt was a key factor in delaying the Telecom loan, which was announced last December.

The financing package consists of a 5.4 billion dollar, 10-year loan, 1 billion dollars in covered warrants on CITIC's Telecom shares, and about 3200 million in zero-coupon bonds. CITIC is to pay for the loan through the covered warrants and the dividend yield on its Telecom stock.

CITIC was willing to postpone the syndication deadline indefinitely to attract Hongkong & Shanghai Banking Corp.—the colony's largest bank—although financing was virtually completed by the co-arranger Barclays Bank PLC.

Hongkong Bank agreed to participate only after Telecom's British parent, Cable & Wireless PLC, guaranteed that it would buy CITIC's Telecom shares if CITIC failed to repay the loans. Since then, 41 banks have asked to participate in the loan, including nine Japanese institutions.

A senior official at Hongkong Bank's merchant-banking arm, Wardley Capital Ltd., said the initial reluctance among banks to join the syndication reflected concerns about CITIC's ties with China, rather than its mushrooming debt.

"CITIC was perceived to be more of a China risk than it actually is," said Robert Roberts, manager director at Wardley. "But most of CITIC's assets are out of China, and it has good-quality Hong Kong assets."

## New Zealand Sets Telecom Sale

**WELLINGTON**—The New Zealand government, announcing Tuesday the planned privatization of Telecom Corp. of New Zealand Ltd., said foreign ownership of the concern would be limited to just under 50 percent.

Finance Minister David Caygill told Parliament that the government will float at least 500 million New Zealand dollars (\$392.5 million) worth of shares in state-owned Telecom on the market, and more if market conditions permit. No date was set for the sale.

As of March 31, 1989, the government's equity in Telecom was worth 2.4 billion dollars.

Mr. Caygill said the sale would realize at least three billion dollars. He said the government was considering selling all of Telecom in a single deal, with the proviso that at least 500 million dollars worth be floated publicly.

"Whether that happens or not depends on whether anyone gives us bids for 100 percent," said Richard Prebble, the state-owned enter-

prises minister, at a news conference. "But we have had indications already from at least two companies that they will in fact bid on that basis."

He would not comment on which companies might be interested, but strongly hinted that an overseas shareholder was welcome. "Among the international investors expected to show strong interest in Telecom will be companies with a track record in telecommunications. Overseas companies have the potential to add value to the business through their expertise and management input," Mr. Prebble said.

Mr. Caygill reaffirmed that if the government was to achieve its target of reducing public debt to 50 percent of gross domestic product by the end of 1992 it had to address the sale of Telecom and the government's forestry cutting rights.

He said the government would also be offering to the Australian public, with placements in Britain, Europe, the United States and Asia at the same time as the offering in New Zealand.

Mr. Prebble maintained Mr.

Caygill's line of not committing the government to a deadline to complete the sale. "I would like to do it this year, but the government is not conducting a fire sale," he said. "But every indication we have had so far is that the New Zealand share market could handle such a sale this year."

Along with the privatization, the government also announced plans to encourage a wave of fresh immigration in order to boost the national economy. A package of measures would open the way for up to 10,000 skilled immigrants.

Mr. Prebble said selling 100 percent of Telecom would be similar to the government's sale of Air New Zealand in 1989 to a consortium led by Brierley Investments Ltd. The consortium later floated 30 percent of the airline's shares to the public.

He said Telecom shares would also be offered to the Australian public, with placements in Britain, Europe, the United States and Asia at the same time as the offering in New Zealand.

## Investor's Asia

Hong Kong Hang Seng		Singapore Straits Times		Tokyo Nikkei 225	
3200		1650		4000	
2000		1550		3800	
2800		1450		3600	
2600		1350		3400	
2400		1250		3200	
2200		1150		3000	
2000		1050		2800	
1800		950		2600	
1600		850		2400	
1400		750		2200	
1200		650		2000	
1000		550		1800	
800		450		1600	
600		350		1400	
400		250		1200	
200		150		1000	
0		50		800	
1989		1989		1989	
1990		1990		1990	
Exchange	Index	Tuesday Close	Prev. Close	% Change	
Hong Kong	Hang Seng	2880.03	2871.39	+0.30	
Singapore	Straits Times	1564.05	1562.86	+0.08	
Sydney	All Ordinaries	1596.00	1598.80	-0.17	
Tokyo	Nikkei 225	30807.19	31263.24	-1.46	
Kuala Lumpur	Composite	801.36	598.87	+0.42	
Bangkok	Book Club	684.16	687.50	-0.49	
Seoul	Composite Stock	849.98	839.42	+1.26	
Taipei	Weighted Price	11447.55	11369.69	+0.68	
Manila	Composite	1117.00	1150.74	-2.93	
New Zealand	Barclays	1779.50	1801.85	-1.24	
Bombay	National Index	398.89	386.49	+3.21	

Sources: Reuters, AFP

International Herald Tribune

## Jardine Matheson Net Seen Growing Slowly

**HONG KONG**—Jardine Matheson Holdings Ltd., the diversified Hong Kong trading company, is likely to report slower growth in its 1989 earnings on Wednesday after two years of surging profits, analysts said.

Most forecasts call for Jardine to post a 1989 net profit of between 1 billion to 1.4 billion Hong Kong dollars (\$817 million to \$1.094 billion), up 26 to 31 percent from 1.13 billion dollars in 1988.

In 1988, Jardine posted a 42 percent profit rise, while in 1987 earnings soared by 64 percent.

But Jardine's projected reduced rate of earnings should not weigh too heavily on the company's stock, analysts said.

"We cannot expect such high growth rates to continue indefinitely," said Simon Chin, research director at Citicorp Securities.

"Jardine has come from a very high level."

Analysts say Jardine's wide-

reaching regional marketing arm is a strong point. Formed in January 1989, the regional focus of Jardine Pacific Ltd. diminishes the effects of Hong Kong's current economic downturn on the parent company, analysts said.

Strategic is the investment holding company for the group's satellite firms, but analysts say investors prefer to own stock in the companies themselves or in their ultimate parent, Jardine.

"Jardine Strategic doesn't have its own operations," said Mr. Chin.

## Jardine Weighs Sale of Taiwan Stake

**HONG KONG**—Hong Kong-based Jardine Fleming Holdings Ltd. is reluctantly negotiating to sell its 10 percent stake in a Taiwan brokerage house to a consortium of Taiwanese shareholders, sources close to Jardine said Tuesday.

A source close to the company said the negotiations are at "a very advanced stage." However, a formal announcement is not expected for about two weeks.

Market sources said the planned sale follows Jardine's unsuccessful attempt to buy out the holdings of the chairman and the main Taiwanese shareholder in Taiwan International Securities Corp.

The break, if it materializes, would deal a serious blow to Jardine's plans to become a fully licensed broker and merchant bank in Taipei. According to John Crossman, a manager with Jardine Fleming in Taipei, the company broke even last year on its brokerage operation while making a slight profit on underwriting.

"We made 10 percent on equity last year, and that isn't bad, given the volatility of the marketplace," he said.

Commenting on relations with the major shareholders, Mr. Crossman said, "It came down to the question of at what pace we'd make money. They have a different idea

## Taiwan Tries to Ease Squeeze on Credit

**TAIPEI**—Taiwan's central bank said Tuesday that it had repurchased commercial paper, Treasury bills and certificates of deposit from banks to help ease a credit squeeze, but bankers said the move would not push interest rates down.

The bank bought more than eight billion Taiwan dollars (more than \$300 million) worth of government paper on Monday at rates of 12.5 percent to 13.75 percent, on condition the banks buy them back.

Of what long-term means. We're more concerned with carving out a market share than with making a ton of money in the first 10 months."

"Profit is not the main point," said an analyst with a British-based brokerage house in Hong Kong. "The point is, Jardine Fleming will lose its foothold in the market there."

Taiwan prohibits foreigners from holding brokerage licenses. The major shareholder, Chang Pea-tsao, is a member of Taiwan's

parliament and co-chairman of the parliamentary financial committee.

Jardine Fleming is a 50-50 joint venture between Robert Fleming Holdings Ltd. of London and the Hong Kong trading house Jardine Matheson Holdings Ltd. Robert Fleming holds 5 percent of the Taiwan brokerage directly.

Most of the Taiwan shareholders are wealthy individuals.

Market sources said the bid for the majority stake by Jardine, aided by Robert Fleming, failed to win the backing of minority Taiwanese shareholders, who backed Mr. Chang's counter-bid for Jardine's 10 percent stake and Robert Fleming's 5 percent holding.

The fate of the 5 percent stakes held by American interests associated with Rockefeller & Co. and the South African-backed Consolidated Resources Ltd. of Hong Kong is unknown.

Market sources said Mr. Chang had offered Jardine and Robert Fleming 30 Taiwan dollars (\$1.14) per share for their holdings. Taiwan International Securities issued 100 million shares at 10 Taiwan dollars each when the joint venture was formed at the beginning of 1989.

Market sources said many major Taiwanese brokerage houses had expressed interest in forming ties with Jardine Fleming. (Reuters/IHT)

## Malaysia to Create Palm-Oil Group

**KUALA LUMPUR**—Malaysia, the world's biggest producer and exporter of palm oil, is moving to group all of its palm-oil exporters under a conglomerate in efforts to stop price declines, according to a senior official.

Primary Industries Minister Lim Eng Yik said the conglomerate would prevent price haggling among exporters that is leading to declining prices, the daily New Straits Times reported.

Mr. Lim, in a speech to a palm-oil cooperative in Kuala Lumpur, said the group would have 10 to 20 companies com-

peting among themselves to sell their commodity and this is causing the price to drop."

The major buyers of Malaysian palm oil, India and Pakistan, buy through state trading firms. India was reported to have shifted some of its purchases to Indonesia in recent months because of lower prices there.

With its own vegetable-oil production rising, India also has reduced its palm-oil purchases from 1 million tons in 1987 to 260,000 tons last year, palm-oil trading sources said.

Mr. Lim said he expected Indonesia to become one of the main palm-oil exporting countries in the future. However, he added, "this does not mean Malaysia is going to reduce its prices to compete with

Indonesia, especially when the demand for palm oil will continue to rise."

He said worldwide demand for palm oil and other fats was expected to rise from 70 million tons a year now to 100 million tons in the year 2000.

Malaysia accounts for about 60 percent of world palm-oil exports.

**Tin Mine Revival**

Malaysia is reviving an underground tin mine, one of the world's biggest, after a three-year closure due to the 1985 market crash, miners told Reuters in Kuala Lumpur. The Malaysia-based firm Nilai Cergas Bhd. obtained a 15-year lease to revive the Sungai Lembing mine in central Pahang state, said the firm's managing director Sia Hok Kiang.

## NASDAQ

**Tuesday's Prices**  
NASDAQ prices as of 4 p.m. New York time. This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

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## SPORTS

## Burden of Greatness Weighs on AC Milan

He was like a cock who thought the sun had risen to hear him crow.  
—George Eliot, in "Adam Bede."

International Herald Tribune

LONDON — The 19th century author could not have heard the coming of Silvio Berlusconi. Those involved in modern soccer cannot avoid him. As owner of AC Milan, Berlusconi has a preoccupation with cleaning up the soccer silverware of Italy, Europe, the world. As purveyor of more satellite hours than anyone else, he plays games in the sky.

His wealth has bought success and, let it be said, style. Milan is the most accomplished club on turf.

## ROB HUGHES

Milan, whose form has suddenly slumped, might surrender in the European Champions' Cup to a less aristocratic Belgian club.

The 1989 trophy is in Milan's locker along with the Italian league championship cup, the European Super Cup and the World Club Cup.

Being the European champion carries most kudos when Berlusconi bids to pioneer a Europe-wide "Super League" which UEFA, Europe's soccer authority, will consider on April 19.

No matter how much power a man wields, sport can humble him. Berlusconi had presumed a couple of weeks ago to tell the national team manager, Arrigo Sacchi, that Milan should represent Italy at the World Cup.

Milan, with more than a little help from its Dutch players, was at that time unbeaten in 16 contests. As soon as Berlusconi crowded, his men succumbed, 3-0, to Juventus and, 3-1, to its neighbor Inter.

In addition, Mechelen, the Belgian champion, outplayed Milan in the first leg of the Champions' Cup quarterfinal. Milan escaped at 0-0 but ugly fouls by Carlo Ancelotti, Alessandro Costacurta and Marco van Basten scarred Milan's reputation.

Mechelen's bold counterattacks deserved goals when Bruno Versavel hit a post and John Bosman (one of its own Dutch imports) was controversially called offside. Moreover, Giovanni Galli, Milan's goalkeeper, made two stunning saves.

In Milan on Wednesday, Mechelen will be as dour as its record of conceding one solitary European goal suggests. It will not be intimidated by Milan's 70,000-strong chorus, nor by a pitch that is rutted and bare.

The result will hinge on what degree of arrogance in Italy's stars turns out to be a cloak hiding nervousness.

Part of the burden is Berlusconi's ambition. One match before the defeat began, he castigated his team's lack of grandeur in victory.

The team manager, Arrigo Sacchi, bickered back, which was brave of him. But Sacchi found his own scapegoat, goalie Galli, whom he dropped. Galli's 30-year-old stand-in was by all accounts out of his depth against Inter last Sunday.

You can bet Galli will face Mechelen, and doubtless goalie and manager will be entwined in Latin embrace should Galli shut out the Belgians a second time.

Sacchi, an intelligent and fair-minded man, is as overworked as his players. Milan probably has 10 more matches than Italy's other teams, not only through global pot-hunting but fulfilling myriad TV engagements for Berlusconi.

Even in such pseudo events, Milan is expected to stretch nerve and sinew. The players must tire, mentally and physically, and some may be hard to motivate after such bonuses as \$45,000 per man for winning a one-shot World Club Cup match.

That was played in Tokyo in December. A nice little jaunt, jetting out to Japan, outlasting Colombia's champion in extra time, and jetting back with another trophy for Mr. Berlusconi.

Back home? No, back to encampment for the next league match. The more you win, the more you play, the less you know of home life or any other relaxation.

Significantly, the two freshest players last Sunday were Franco Baresi and Roberto Donadoni, both of whom had "suffered" enforced rest through injury.

But what is a footballer's rest? His career is short, the risks obvious, the lure to do business great.

Baresi, imperious defender that he is, helps his wife run shoe shops. He also, presumably, is human enough to have been taxed over his court conviction (appeal pending) for accepting illegal payments.

Don't misinterpret this. I enormously admire Baresi's leadership on the field. He is defensive kingpin for both club and country. And he performs two contrasting roles. For Italy, he is libero, the free defender, in a five-man blanket defense. For Milan, he stands four square in an "English" style defense.

With Milan's defense punctured six times in two games, Italian critics blame this "foreign" tactic. They never said that Milan conceded just 18 goals in 27 games.

Yet, could either Sacchi or Berlusconi truly know the pressures their hirelings absorb? Both were better players in their dreams than reality, and Sacchi was plucked out of third division management by Berlusconi three years ago.

Their team-building has been sound. No, better than that, so far blessed with divine judgment.

But with pressures come complex inter-relationships between the doubting mind and responsive muscles. Psychologists claim to identify it, but the balance remains irritatingly, wonderfully individualistic.

Those of us who see humanity, never mind a game, as a challenge to ourselves are not displeased that from time to time even Berlusconi's money is unable to guarantee success.

Milan resembles an orchestra that is overplayed. Its rhythm has been remarkable given that Ruud Gullit, leader of this orchestra, has missed every performance since last May.

He is back at rehearsals, and that in itself lifts the others. But their effort to cover for him, and for others like Ancelotti, builds stress.

Tighter and tighter it becomes until, like an overwound violin string, it snaps, catching Milan's overconfident president in the mouth.

He will get over it. Italy, however, could have done without the sudden re-opening of its league title race so close to the World Cup.

Maybe if Mechelen wins on Wednesday it will relieve some tension all around. Milan would have less to crow about and those of its players whom Gianni rather than Berlusconi selects for national duty might have a little more to play for when the World Cup begins.

Rob Hughes is on the staff of the Sunday Times

## Italy Bans Female Hooligan

The Associated Press

ROME — Isabella Di Giovanni, one of the Lazio soccer team's supporters, has become the first woman in Italy convicted of violence at a match.

She was one of six people arrested at the Flaminio stadium here on Sunday after police waded into the stands to halt pitched battles between supporters of Lazio and its arch-rival, Roma, and to keep the fans from invading the field.

Di Giovanni, 21, spent a night in jail, received a 100-day suspended sentence and was barred from attending games for three years. She was accused of assaulting police officers.

"It's true," she confessed to the judge in court Monday. "I also threw something at the police but I lost my head. Only a few seconds before I saw the police beat up a Lazio friend."

The quick trial of Di Giovanni and the other and sentences aimed at keeping troublemakers out of the stadiums for up to five years are part of a crackdown on soccer violence as Italy prepares to take cen-

ter stage as host of the World Cup finals, a month-long event this summer that will be followed by hundreds of millions on television worldwide.

Di Giovanni is described as a regular at Lazio games both home and away, a fixture in blue jeans and black paratrooper boots in the stands behind the goals, the cheap seats taken over by the "irreducible" or unsalvageable fans.

The Milan newspaper Corriere della Sera called her the "Joan of Arc of the unsalvageable," in every-day life "sweet and sensitive but completely transformed inside the stadium."

Violence is not uncommon at the so-called "derbies" pitting two teams from the same city, but Sunday's game in Rome turned particularly ugly after Roma took and held a 1-0 lead.

Two Lazio players were expelled for especially rough play.

The manager of Italy's national team, Arrigo Sacchi, said in Milan on Monday that players and referees must cooperate "to give a non-violent image to the World Cup."

## Upsets and Last-Second Heroics Electrify the NCAA

By William C. Rhoden

New York Times Service

The National Collegiate Athletic Association has produced some form of a men's Division I postseason basketball tournament for 51 years.

Few of the tournaments, however, have been dotted by as many upsets and last-second heroics as the 1990 tournament, which moves into its round of 16 on Thursday and Friday.

The teams that have made it this far may be the most evenly matched and unpredictable group, a reflection not only of parity in the United States but also of the increased intensity of teams playing for higher stakes in front of larger crowds in bigger arenas.

Of the 16 second-round games played last Saturday and Sunday, 12 were decided by fewer than four points. Of those 12, three were decided by three points, five by two points and two by a single point.

North Carolina, which was given up for lost three weeks ago, upset top-ranked Oklahoma in a last-second basket. UCLA eliminated Kansas, which had been ranked on top twice during the regular season, on two free throws with nine seconds left.

Ball State, which began as the 12th-seeded team in the West Regional, upset fourth-seeded Louisville with a last-second shot. And Georgetown's attempt to fend off Xavier's upset bid failed when Mack Tillman's 3-point attempt went into the basket, the spin out to give the Musketeers a 74-71 victory.

Clearly, though, the most dramatic upset thus far—and a game that typifies the unpredictable, emotion-filled nature of this year's tournament—was Loyola Marymount's 149-115 pummeling of Michigan in the highest-scoring game in NCAA Tournament history.

Loyola, a school with a team that few people had heard of three seasons ago, forced Michigan to back away from the sort of wide-open

game the Wolverines were supposed to enjoy.

Loyola outworked the Wolverines, outran them and finally broke Michigan's will.

As curious fans begin to focus attention on Loyola and the "Sweet 16" teams, the question is whether the Lions, who play Alabama in Oakland, California, on Friday, can sustain their emotional and physical intensity through four more games.

The team has dedicated its postseason competition to the memory of Hank Gathers, a teammate who died on March 4 after collapsing during a conference tournament game.

"If we're on top of our game, if we don't give in to our fatigue, we beat everyone we play," said Bo Kimble, Loyola's senior guard, who scored 37 points against Michigan on Sunday and had 45 against New Mexico State in the opening round.

"Stats don't mean anything when you play us," Kimble said. "You can be outbounding us by 10 rebounds, shooting 70 percent and we might still be up by three points. There's always a team like a Seton Hall that comes up to be a Cinderella team. I think this year it's going to be us."

In addition to Loyola from the West Coast Conference, three other teams from smaller conferences have barged into the middle of things by defeating highly visible opponents.

Ball State from the Mid-American Conference defeated Oregon State and then upset Louisville by two points. Xavier of the Midwest Conference defeated Kansas State before holding off Georgetown, and Northern Iowa of the Association of Mid-Continent Universities upset Missouri before losing to Minnesota in the second round.

Where do things stand now? Mostly in disarray.

With two weeks remaining before the Final Four, it is virtually impossible to declare a clear-cut



Derrick Coleman (44) is a big reason Syracuse may advance.

favorite and difficult to pick a Final Four.

Here is a look at the Sweet 16 party and a review of how the guests secured their invitations:

## West

Loyola Marymount (25-5) vs. Alabama (26-6)

UNLV (31-5) vs. Ball State (26-6)

The game that most fans would like to see is Nevada-Las Vegas against Loyola Marymount, a team

that has elevated fast-break basketball to new heights.

For that matchup to materialize, Loyola must defeat a tough Alabama team that crushed Arizona. No team can keep up with Loyola, but Alabama will do a better job than Michigan.

Nevada-Las Vegas is beginning to hit its stride after a season of disruptions. The Runnin' Rebels are the favorite, not only against Ball State, but in the region and possibly the entire tournament.

## Lithuania Seeking a Break With Soviet Sports

Compiled by Our Staff From Dispatches

MOSCOW — Sports officials in the breakaway Baltic republic of Lithuania have decided to withdraw their athletes from national Soviet competitions and keep them off Soviet teams in general.

Lithuanian athletes would thus not compete on Soviet teams in this summer's Goodwill Games in Seattle and in the 1992 Olympics at Barcelona, as well as various European championships, the newspaper Sovietyetsky Sport reported.

However, the Lithuanian State Sports Committee's decision, taken last Wednesday, would allow Lithuanians to compete in "open" Soviet championships to which they were invited virtually as foreign guests.

Lithuania declared its independence from the Soviet Union on March 13, and although the Kremlin has rejected the move as invalid, the republic of 3.7 million people has gone ahead with steps to cut many of its ties with Moscow.

Arturas Povilimas, president of the Lithuanian National Olympic Committee, said Lithuania was seeking to develop its own national teams and intended to ask the International Olympic Committee for official recognition.

Many Lithuanian coaches will continue to work with Soviet teams, the government news agency Tass reported last weekend.

Vladas Garastas, chief coach of the Soviet men's national basketball team, will honor

his contract to work through the Barcelona Olympics, he told Tass.

Four Lithuanian players are on the Soviet National team, and Povilimas said they would be allowed to play under contract for Soviet clubs.

Last week, the Lithuanian Basketball Federation decided to allow Lithuanian-based clubs to remain in the Soviet league until the end of the current season.

Lithuanian soccer officials have boycotted matches in the Soviet league. The Soviet federation recently awarded a victory by forfeit to Dynamo Moscow after a Lithuanian team, Jalguiris, failed to turn up for a game.

(AP, UPI)

## Hungary Overpowers Sloppy U.S., 2-0, in Soccer

The Associated Press

BUDAPEST — Tamas Petres and Zoltan Linger scored as Hungary beat the United States, 2-0, Tuesday night in a one-sided game that showed how much the Americans need to improve before the World Cup.

The Hungarians outplayed the Americans throughout the evening and dominated the action, just missing several other goals.

The hosts used their superior quickness and ball-handling skills to overpower an American team playing its first game in Europe since qualifying for the World Cup finals, which begin June 8 in Italy.

As 15,000 fans triumphantly waved red-white-and-green flags, the young Hungarian team kept the ball for long stretches in the Ameri-

can half of the field and took advantage of U.S. sloppiness.

The Hungarians, six of whom were playing their first game for the national team, easily could have won by five or six goals. One Hungarian shot went off the crossbar and another off the goal post, while several other chances went astray in front of U.S. goalie Tony Meola.

The game was the first of two U.S. teams playing in Eastern Europe to prepare for the World Cup. The Americans, who qualified for the 24-nation finals for the first time in 40 years, will play East Germany in East Berlin on March 28.

Hungary did not qualify for the World Cup finals and is undergoing a soccer purge. Kalmes Meszoly, who coached the national team

in the early 1980s, was back in charge for his first game Tuesday and many of the young players were unknown to the crowd.

Unlike Americans, who regard soccer as little more than a diversion from such sports as football, basketball, hockey and soccer.

In 1954, when Hungary lost the championship game of the World Cup to West Germany, gangs stormed the house of Hungarian coach Gusztav Sebes and beat his son so severely that he was crippled for life.

Chris Sullivan, one of the few members of the U.S. team who plays for a club in Europe, said the exposure to soccer-mad fans should help prepare the young

squad for the World Cup finals in Italy in June.

"We'll get a little taste of what it's going to be like in Italy," said Sullivan, who played last year in France and now performs for a club in Raba Eto, Hungary.

For the U.S. coach, Bob Gansler, the visit to Hungary is a homecoming. He was born in Hungary in 1941 and fled with his family to West Germany five years later when ethnic Germans were expelled from Eastern Europe after World War II. His family moved to the United States when he was 11.

Gansler said the reason for playing Hungary was more practical than emotional. Hungary's style is similar to that of Austria, a first-round U.S. opponent in Italy.

## SCOREBOARD

## BASKETBALL

## NBA Standings

## EASTERN CONFERENCE

## Atlantic Division

## W L Pct GB

## Philadelphia 41 26 .612

## New York 39 28 .582

## Boston 36 30 .543

## Washington 24 41 .364

## New Jersey 15 50 .232

## Central Division

## W L Pct GB

## Detroit 31 15 .678

## Chicago 29 17 .630

## Milwaukee 25 21 .543

## Indiana 21 24 .467

## Cleveland 19 26 .419

## Orlando 14 31 .313

## WESTERN CONFERENCE

## Pacific Division

## W L Pct GB

## Los Angeles 41 16 .717

## San Antonio 31 26 .543

## Dallas 25 32 .439

## Houston 21 36 .364

## Minnesota 17 40 .298

## Utah 15 42 .263

## Portland 14 43 .244

## Phoenix 13 44 .229

## Golden State 12 45 .214

## Sacramento 11 46 .206

## Seattle 10 47 .178

## San Diego 9 48 .158

## New York 8 49 .141

## Charlotte 7 50 .122

## Cleveland 6 51 .105

## Detroit 5 52 .088

## Boston 4 53 .071

## Washington 3 54 .054

## Philadelphia 2 55 .037

## NBA Leaders

## Through March 18

## TEAM OFFENSE

## Points per game

## Golden State 110.2

## Phoenix 108.1

## Portland 107.1

## Dallas 106.1

## Los Angeles 105.1

## San Antonio 104.1

## Houston 103.1

## New York 102.1

## San Diego 101.1

## Seattle 100.1

## Sacramento 99.1

## Charlotte 98.1

## Cleveland 97.1

## Detroit 96.1

## Boston 95.1

## Washington 94.1

## Philadelphia 93.1

## Golden State 92.1

## Phoenix 91.1

## Portland 90.1

## Dallas 89.1

## Los Angeles 88.1

## San Antonio 87.1

## Houston 86.1

## New York 85.1

## San Diego 84.1

## Seattle 83.1

## Sacramento 82.1

## Charlotte 81.1

## Cleveland 80.1

## Detroit 79.1

## Boston 78.1

## Washington 77.1

## Philadelphia 76.1

## Golden State 75.1

## Phoenix 74.1

## Portland 73.1

## Dallas 72.1

## Los Angeles 71.1

## San Antonio 70.1

## Houston 69.1

## New York 68.1

## San Diego 67.1

## Seattle 66.1

## Sacramento 65.1

## Charlotte 64.1

## Cleveland 63.1

## Detroit 62.1

## Boston 61.1

## Washington 60.1

## Philadelphia 59.1

## Golden State 58.1

## Phoenix 57.1

## Portland 56.1

## Dallas 55.1

## Los Angeles 54.1

## San Antonio 53.1

## Houston 52.1

## New York 51.1

## San Diego 50.1

## Seattle 49.1

## Sacramento 48.1

## Charlotte 47.1

## Cleveland 46.1

## Detroit 45.1

## Boston 44.1



